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ABSTRACT

This book presents national and international perspectives on the role of further education (FE) in economic development in the United Kingdom and elsewhere. Throughout the papers, special attention is paid to the need to reassess FE and its role as service provider, stakeholder, and strategic partner in view of the following social and economic trends: accelerating technological advancement, increasing movement toward a learning economy and learning society, increasing obsolescence of existing skill sets, growth of knowledge intensity, and need for organizational and institutional innovation. The following papers are included: "Foreword" (Baroness Blackstone); "Introduction" (Simon James); "The Learning Economy: Economic Competitiveness and Colleges" (Kevin Morgan, Gareth Rees); "FE and the Entrepreneurial Society" (Andrea Westall); "Community Colleges and Urban Development" (Henry G. Cisneros); "Competence-Based Approaches to Economic Development and Partnership" (Derrick Johnstone); "Is Networking Always the Answer?" (Joan Fitzgerald); "Measuring a College's Impact on Its Community" (Gordon Aitken); "Structural Funds for Further and Higher Education" (Ed Prosser); and "Towards a World-Class College: Raising Economic Competitiveness" (Chris Hughes). (MN)

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FE: aspects of economic development

edited by Simon James

feda report

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Furthering Local Economies

FEDA Further Education Development Agency

FE: aspects of economic development

edited by Simon James

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Acknowledgements

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Foreword

Baroness Blackstone, Minister of State for Education and Employment

The government has made a clear commitment to support the development and expansion of the further education sector in the United Kingdom. It is a sector which is crucial to the economic and social well-being of the country, and we will continue to support it as it seeks to meet the challenges which lie ahead.

Further education is important to the successful delivery of many key initiatives, such as the University for Industry (UfI), Investing in Young People and the New Deal. FE is also a vital platform for lifelong learning and, by reaching out to the community, it can help to widen participation, address social exclusion, meet the skill needs of the modern economy and enhance employability.

In today's labour and learning markets, organisations can no longer work effectively in isolation. Within the FE sector, closer collaboration will bring the benefits of strong local partnerships between colleges, employers, local authorities, TECs and others to provide a co-ordinated response to individuals' and employers' needs. The sharing of information and resources has already led to some notable developments for FE, such as centres of excellence for skills. We want to build on this climate of co-operation to ensure that provision meets the needs of local and regional economies. The FE sector and its partners will have a major contribution to make to the work of Regional Development Agencies (RDAs).

This collection of national and international perspectives on the role of tertiary education in economic development can help us consider and debate the contribution which further education can make in the future.

I am certain that the skills and commitment of those involved in FE will ensure that the sector remains central to our vision of a learning society.

Chapter 1

Introduction

Simon James

About two years ago, a number of key figures in further education locally, nationally and regionally, began to come to some important conclusions about the FE sector and its post-incorporation role. These conclusions didn't (in most cases) come in a Damascene flash of light, but were the result of mature reflection and the experience of working in and for FE over a number of years.

Broadly speaking, the conclusion can be described as "there's an economic development party going on out there and FE hasn't been invited".

This manifested itself in many forms. A few examples will suffice here:

- The Single Regeneration Budget (SRB) had been established and colleges, although playing some key roles in SRB design and delivery, were often excluded from the strategic planning process and direct engagement by other partners at that vital first stage.
- Anecdotal evidence suggested that where local and regional inward investment agencies existed, whether mediated by a local authority or Training and Enterprise Council (TEC), colleges were often brought very late into the process of introducing a new inward investing client to a particular area.

- TECs had a clear remit to exercise the local strategic role, and while there was some creative engagement with FE on development projects and a variety of ways of handling the requirement for TECs to sign off colleges' strategic plans, there was a substantial amount of veiled (or not so veiled) criticism of FE colleges as deliverers of government training programmes.
- Post-incorporation relationships with local borough and district and county authorities ranged from warm to tentative to non-existent. Yet pragmatic working relationships between FE and local authorities still needed to be found.

Across Europe there was an increasing trend towards regionalisation and an awareness that tertiary institutions were playing a role in regional economic development. This was not uniformly the case across England and Wales.

As a result of these and other trends, FEDA established a major strategic research and development initiative entitled 'Furthering Local Economies'. The original aim of the work was to map the role that FE plays in economic development, not just as a provider of skills, but in all aspects of economic development activity, from business development through community development to physical involvement in the regeneration of local areas.

To make sense of this role, we defined (and asked the colleges to comment on) their roles as *service provider*, *strategic partner* and *stakeholder*. Our conclusion was that the size of the FE sector's role as a service provider of skills and business support, combined with its stakeholder role as local employer and purchaser, added up to a strategic partnership role that needed to be more firmly recognised by local, national and regional partners.

At about the same time that the research was published, the (then) new Labour government issued its consultation paper on Regional Development Agencies (RDAs). The original Millan Commission Report (Regional Policy Commission, 1996) which forms the basis of the RDA proposals, had envisaged a clear and distinct role for FE in regional development issues. However, the feeling within the FE sector from the consultation paper was that although FE was mentioned, its role as a strategic partner was somewhat under-emphasised.

As a result of the research work by FEDA and others, the FE sector on an individual, regional and national level, through its representative organisations, was able to make a strong case for greater inclusion within Regional Development Agencies. At the time of writing it is looking highly likely that this will lead directly to FE representatives filling the 'education' place on several RDA boards, while others include business representatives with a strong (governor) interest in FE.

Which brings us to the current publication.

Over the last year the new, expanded Regional and Economic Development team at FEDA has run a large number of events and consultancies and developed the tools which will be needed to raise the capacity and capability of the sector to adjust to and develop its new role in regional and local economic development.

The team now feels that it is time to take stock and to begin to think about the economic development issues that will take FE into the next millennium. In this publication you will find articles which attempt to discuss, promote, and meditate on some of these key issues for FE. International experience is particularly important here. Close discussions with colleagues in the USA, Australia and Europe have led increasingly to the development of a transnational network of colleagues working in and for the tertiary sector who are grappling with the same issues in response to regional development. Significantly, many of them focus around technology development and support for small to medium-sized enterprises (SMEs) – 'home territory' to so many institutions in the FE sector in England and Wales. For this reason we have included contributions from an American perspective (chapters 4 and 6).

As a result of all this activity, does FE find itself more often invited to the economic development 'party'? I think it does. However, I think it is also true that it is more the case for the general FE colleges in inner-city areas than for specialist colleges, sixth form colleges and those in rural areas.

For the whole sector (and I suspect for other partners) the question arises as to what to do when you get to the party – and why isn't the FE sector hosting a few itself?

Reference

Regional Policy Commission (1996) **Renewing the regions: Strategies for regional economic development**. Sheffield Hallam University, PAVIC Publications

The learning economy: economic competitiveness and colleges

Chapter 2

Kevin Morgan and Gareth Rees

References to the learning economy, the information age and the knowledge society are commonplace today. Where they mean anything, they are shorthand for fundamental trends in the contemporary economy: the accelerating pace of technological change, the growing superannuation of existing skills sets, the growth of knowledge intensity, and the need for organisational and institutional innovation.

These trends have created unprecedented levels of risk and uncertainty for capital, for labour, for public authorities – so much so that the past has ceased to be a reliable guide to the future, if indeed it ever was. In this sort of paradoxical world in which information overload co-exists with growing uncertainty, it is hardly surprising that theorists and practitioners agree that knowledge is the most important resource and learning the most important process.

New model of innovation

Current trends have changed the very meaning of competitiveness, as demonstrated by looking at a new model of innovation that is emerging in all advanced OECD countries. Innovation is becoming increasingly dependent on the associational capacity of the firm; its capacity for striking co-operative relationships between management and the workforce. It

depends on forging new co-operative relationships between firms in the supply chain and on firms crafting more co-operative, robust interfaces in local, regional or, indeed, national institutional milieus (Cooke and Morgan, 1998).

Fundamentally, this new model recognises innovation as a collective and iterative process between many actors in the public and private sectors. The associational capacity of firms to interact, within the firm and with institutional partners, applies as much to large companies as to SMEs; even larger firms increasingly acknowledge they are only as innovative as their supply chains, a lesson which Europeans and Americans are taking from the Japanese.

Being only as innovative as their interactions in the local, regional and national economy, the problem facing SMEs is not their size, but their isolation; they need to be embedded in rich information flows. Highly innovative small firms are found in many regions of Europe, notably Italy, southern Germany and northern Denmark, where they are nested in dynamic, innovative networks. This is a factor that Britain has been extremely slow to recognise.

Developing social capital

While this new model of innovation still requires tangible investments such as physical and human capital, it is increasingly dependent on social capital – the norms and networks of trust and reciprocity, which help to forge collaboration and co-ordination in the economy. Even conventional economists acknowledge the potential of 'relational assets'. Unlike a temporary technical or price advantage, which can easily be duplicated by competitors, relational assets are much more difficult to emulate. The key relational asset in today's economy is trust, the confidence that the parties will work for mutual gain and forego opportunism.

As with other relational assets, such as loyalty and good will, trust is an asset which has value but no price, as it is not a commodity. Trust is therefore difficult to secure and must instead be earned through the discharge of obligations to partners. It confers three fundamentally important advantages in the learning economy.

- First, market economies are systems of time economies and the ability to depend on partners saves time. .
- Secondly, high trust relationships enable us to cope with risk and uncertainty, not by eliminating them, but by reducing them enough to disclose possibilities for action which would have been unavailable in the absence of trust.
- Thirdly, trust expedites learning. Through being embedded in high trust relationships, we are exposed to richer information flows which accelerate the learning process. As in social interaction, in the worlds of politics and business, information is more readily disclosed within high-trust relationships. Trust-based relationships therefore facilitate rapid and more effective learning.

Research on trust-based economic systems indicates that they are more likely to be created where there is a degree of interdependence and parties have a strong expectation of repeat encounters. Therefore, in the modern learning economy, geography matters. Where the shadow of the future looms large over the present, this constitutes fertile ground for creating trust, particularly through face-to-face interaction.

It may be unfashionable to say that geography matters when faced daily by the concept of globalisation, which maintains that place is losing its meaning within a context of IT-based interactions and increased mobility. Nicholas Negroponte, director of the MIT Media Lab and a major ambassador of globalisation, claims that 'the digital planet will look and feel like the head of a pin', a poignant description of the death of geography. Yet, as the director of technology of Ford has said, electronic communications will never be as effective as face-to-face communications, even within high-trust relationships. Geography and personal contact are still essential, even in this apparently globalised world.

Return of the regions

Turning to the regional renaissance in Europe, globalisation seems to have had less impact in many European regions, such as Baden-Wurtemberg in Southern Germany or Emilia Romagna in central Italy, both top ten

European regions. Many of the most robust, most innovative regions in the European Union (EU) have established rich networks of co-operation. Although highly competitive, these regions maintain a judicious balance between competition and co-operation. Many local SMEs are based in rich networks of co-operation, whether with larger firms or technical training institutions in their regions, or through technology transfer. These networks of co-operation are part of these regions' key to success.

The European Commission's strategy has now recognised the potential of these relational assets in different regions. It bases its judgement of these networks in redefining regional policy in the European Union, with the launch of the new generation of regional policies for the new millennium. Unlike former regional policy, which was based on heavy infrastructure investment in the less favoured regions, the new regional policies are about opening minds. The reform of the post-1999 European Structural Funds will centre on innovation, the information society, the environment and equal opportunities.

Regional innovation strategies have been piloted in Wales, Scotland, Yorkshire and Humberside, and the West Midlands. They are about innovation and building social capital, the norms and the networks of trust and reciprocity, creating inter-organisational learning networks, in order to encourage collaborative working. These radically different priorities will pose problems of measurement as a network becomes part of an intangible relational asset which is difficult to evaluate. Fundamentally, the aim of these new regional policies is to create joint solutions to common problems and the disposition to collaborate for mutually beneficial ends.

In this new regional agenda, devolution becomes very important. The Commission recognises that regions must be empowered to act on their local knowledge, to design and deliver policies which are attuned to their own regional circumstances, rather than the needs of some centralist template.

Although the English RDAs will arrive more than 20 years after the development agencies in Wales and Scotland, the new government has made some progress in the reform of the old centralist template, given that the UK was the most centralist state in the European Union. To an extent, the

future is in our own hands; the pace of regionalisation in England will be determined not by the top-down predilections of Whitehall, but by bottom-up pressures from the English regions.

In the English regions themselves, a very mixed picture is emerging. The northern region, Yorkshire and Humberside, is in the vanguard of regionalisation in England. There are some interesting currents in the South West although they are often tempered by the region's internal tensions. Some have argued that the regions in England are not 'natural regions'. This argument is, however, redundant in that the natural region does not exist anywhere in Europe; most regions are 'artificial creations'. Once regional institutions and budgets are introduced, regional action, focus and identity will follow.

Two pivotal issues in the debate around RDAs will determine their success. The first is limited (and partly pre-committed) resources, an issue at the heart of inter-departmental tensions in the Cabinet. Some ministers have a key interest in not decentralising their budgets, while others have a vested interest in allying themselves with Scotland and Wales to create a genuine regional set budget for the RDAs.

The second issue will be governance. The issue here is not whether RDAs will be accountable to Whitehall, as the quangos always have been; the key issue is accountability downwards to the communities in which they operate. The experience in Wales suggests that public accountability, far from being a luxury, is a vital ingredient in the recipe for sustainable economic development strategies. The Welsh Development Agency (WDA) was essentially used as a surrogate in attacks on the government, and its work was severely hampered. The current reform of the WDA aims to increase public accountability downwards to the sub-regions of Wales and upwards to a democratically elected Welsh assembly.

The learning region: a role for FE

FE is a vital part of the regional infrastructure for economic development for at least three reasons. First, FE is the primary delivery vehicle for vocational educational training (VET). The real skills deficit in the UK is not in graduate skills but VET. Herein lies the main difference between the UK

and other OECD partners, particularly with respect to intermediate technical skills. Paradoxically, FE – the primary delivery vehicle for delivering these skills and redressing our biggest deficit – has laboured under a low status as the 'Cinderella' of the system.

Secondly, education and training form a process of lifelong learning, a notion which is unfortunately more sound-bite than substance at present.

Thirdly, unlike HE institutions, an FE college is locally rooted and locally focused, with a major stake in the vitality of its local economy. Some HE institutions, particularly the new universities, are engaging with their regional economies and showing the older, more ponderous institutions the way forward.

It is somewhat disturbing that FE has never been deemed worthy of a seat at the high table of the economic development community, except in exceptional circumstances and on a 'needs-must' basis. British Airways would not have come to Wales had there not been an FE infrastructure to help design a first rate engineering training centre for aircraft maintenance. Here Barry College set an excellent example. Similarly, the decision by Robert Bosch and Lucky Goldstar to locate in Wales – the biggest single foreign investment in Europe – was swayed by the presence of an effective FE infrastructure. The WDA was forced to bring FE to the top table as ambassador for these networks. The WDA has developed a crucial role in brokering supply and demand, feeding back the skill needs of firms into the FE sector, a role which should be adopted by the RDAs.

The changing role of FE: problems and potential

The problems experienced by further education regarding political legitimacy have been compounded by a problem in FE itself, namely the funding formula. From a regional development point of view, the funding methodology is driven by student preferences and not by regional needs (Morgan and Rees, 1994). It is difficult to steer the system to deliver expensive courses even where local demand exists, such as for engineering courses. Alliances between development agencies and the private sector have been the only way to begin to address some of the needs of the regional economy.

In Wales, the status of FE is beginning to change, for both political and economic reasons. The Welsh Office has given a new set of strategic guidance to the WDA, granting parity of esteem to local indigenous SMEs along with the major foreign investors. Parity of esteem requires more imaginative ways of stimulating the indigenous economy. At the same time, the nature of inward investment in this country is changing rapidly. The focus of inward investment now is repeat investment (i.e. re-investment in the existing site) and this accounts for 60% of foreign direct investment annually in Wales today.

Locational factors which harness repeat investment are not the same factors that enable the capture of the initial investment in greenfield sites. When considering repeat investment, firms are concerned more with the sustainability of a location, than with the location itself. They want to know about the supply, the robustness, and the completion rates of technical skills in the FE sector.

This is radically different from the scenario 15 years ago. Multinationals are now asking a different set of questions, about the quality of digital links or the staying-on rate in FE. Development agencies need to learn new skills themselves if they are to stay abreast of these new demands. Repeat investment implies added significance for the FE sector.

Pembrokeshire College offers an example of good practice. It has taken the lead in the region to form a partnership, through which it can begin to define a new, more sustainable future for farmers, growers and other food-related SMEs in the region. Rural Wales, like the rest of rural Britain, is in a deep crisis for a range of reasons. Given the enormous opportunities in our agribusiness chain, the potential has hardly been tapped. As 70% of our organic produce today in Britain is imported and our food system is unsustainable, the emphasis now is on organics, safety, and healthy food that is traceable to local areas. There is enormous potential for Pembrokeshire to become a premier, organic supplying region of Europe. Pembrokeshire College has taken the lead in providing these new skills.

In general, though, FE still finds it difficult to meet the needs of SMEs compared to multinationals, for a range of reasons. The needs of SMEs are more fragmented; they find it more difficult to articulate their needs and

are more diffuse. To help them to overcome these problems of bonding with SMEs, the FE sector will need to work hand in glove with the regional development agencies in England and in Scotland and Wales. The development agencies' role as brokers between demand and supply will be pivotal.

Future agenda for FE

If FE is to have a regular place at this top table, three things are essential. First, the government needs to recognise that it can't continue with this debilitating gap between rhetoric and reality, specifically regarding resources. Half of the FE colleges today are in deficit. It is simply not sustainable to go on with so-called 'efficiency savings' in the FE budget. FE will never have the capacity to become 'tomorrow's college' without central government's support.

The second essential requirement is for both firms and regional development agencies to recognise that their missions depend on close collaboration with FE. Firms and regions, more generally, will need a more skilled, more versatile workforce if they are to survive the onslaught of new competition from Europe and the world.

The third main ingredient is FE itself; the sector needs to become a good deal more adept at lobbying and more innovative about provision, designing courses with, rather than for, firms. It is a vital shift in mindsets to create a culture of inter-active service provision rather than producer-driven service menus. FE could go a long way to realising this potential. It is however only one ingredient in the wider recipe of sustainable development and competitive regions.

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Chapter 3

FE and the entrepreneurial society

Andrea Westall

An entrepreneurial society is crucial to economic success. With the rise in self-employment and the increasing importance of small businesses to the economy, more and more people are likely to experience a period of working for themselves. However, many are not prepared for the challenges of starting their own company and would benefit from greater access to advice and support.

Entrepreneurship does not apply just to new enterprises. It relates more generally to the ability to use resources creatively and respond to changing circumstances with innovative products and services. Those skills are also relevant to existing companies and to charities and community enterprises. For example, the challenges of the welfare system indicate a greater role for the not-for-profit sector in providing innovative forms of service and delivery.

Why should any of this be of interest to further education? Most FE courses are directly vocational, and entrepreneurial skills are critical for many people considering self-employment or starting their own business. By complementing traditional vocational skills with commercial skills, students are able to consider entrepreneurship as a viable career option and prepare for

future opportunities. Some FE colleges are already experienced in enterprise education, and may provide successful examples which can form the basis of best practice and new initiatives.

This chapter sets out some ideas which may find resonance with existing plans or may indicate whole new strategies. FE colleges are embedded in the community and are obvious access points and facilitators for enterprise. Their role, however, will also depend on complementing and working with other economic development agencies, so that they do not become just another player in an already fragmented infrastructure.

Entrepreneurship in the UK

The UK is not, despite the attempts of the Thatcher years, more entrepreneurial than comparable countries, but neither does it show evidence of a marked anti-enterprise culture (Gavron et al, 1998). It is very clear, however, that the economy is becoming increasingly characterised by smaller firms. Between 1979 and 1996, the number of enterprises grew from 2.5 to 3.7 million with the self-employed and micro-enterprises accounting for most of this increase (DTI, 1996). There are several reasons for this trend (Storey, 1994; Scottish Enterprise, 1993):

- *Self-employment* doubled between 1979 and 1995, particularly among women. Much of the increase is attributed to self-employment in 'second jobs'. Self-employed people tend to be older, and the increase is partly attributable to the demographic shift. It is also strongly linked to the levels of unemployment over this period.
- Increased *subcontracting* and *downsizing* occurred in large firms. Changes in technology have reduced employment in large-scale production.
- Technology may have lowered the costs of entering new markets and increased the competitiveness of small firms.
- Government increased contracting out and tried to reduce 'red tape' for small firms.

- There has been an increase in both *niche* and *one-off* products, which may be best identified and produced by smaller firms. However, this success may be eroded as larger firms utilise new technology to produce customised products.
- A structural shift of the economy towards *services*, which are characterised by a higher proportion of small firms, has continued.
- The idea of *enterprise culture* caught on during the Thatcher years.

What is worrying, though, is the relatively high failure rate of UK firms. It is difficult to compare survival rates across countries; not all non-survivors are failures since the figures include, for example, businesses that are sold on. However, data from the OECD suggests that, after five years, the UK's survival rate of 30% falls well below that of Denmark, France, Germany, Ireland, US and France (OECD, 1994). Reasons for this low success rate include inadequate preparation, poor financial management and failure to seek advice and support (Gavron et al, 1998).

These issues are important because entrepreneurial skills and motivation are central to the dynamism of a commercial society. New businesses can help to create new industries, innovate, provide employment and regenerate stagnant communities.

Research suggests that a healthy start-up rate is necessary, but not sufficient, for a high growth rate within regions (Reynolds et al, 1994) and there is evidence of a positive effect on job creation in areas with a strong supply of new enterprises (Scottish Enterprise, 1993).

Entrepreneurship is vital not just for creating viable new businesses but for maintaining the vitality of large institutions and for generating sustainable and responsive not-for-profit organisations. The concept of the social entrepreneur has arisen – someone who manages available resources to achieve positive social outcomes (Leadbeater, 1997). Community enterprises are often a necessary part of any bottom-up approach to regeneration in communities (West and McCormick, 1998).

Despite the obvious benefits of entrepreneurship, the previous government shifted its policies away from start-ups towards 'potential growth' companies, the 4% of small companies which generate 50% of jobs (Dunkleberg et al, 1987). The problems with that approach are easily summarised:

- It is just as difficult to predict which firms will or will not be growth firms as it is to predict successful or growth start-ups.
- Even if 4% of SMEs currently generate most of the new jobs, any increase in the supply of new businesses enlarges the pool from which growth firms emerge.
- That 4% is not necessarily fixed. There might be hurdles or barriers which result in a low percentage of firms surviving or growing or which act to discourage people who could create viable new businesses.

To redress the balance of policy to include attention to the needs of new enterprises, the IPPR recently produced a report, *The Entrepreneurial Society* (Gavron et al, 1998).The book was not aimed at potential multi-millionaires but at the broad group of people interested in starting their own business as a very positive career choice. We did not find that the UK was any less entrepreneurial than elsewhere but that fewer people start their own business than wish to. There seem to be a variety of barriers, both individual and external, which prevent them from making that leap. We also argued that it is possible to increase the survival rate of new enterprises.

The report addresses four key areas for policy:

- access to pre-start training for would-be entrepreneurs (OECD evidence, 1995, suggests that this can have a demonstrable effect on survival) and greater use of peer networks
- proposals for addressing demonstrable finance gaps for new enterprises (although the situation seems to be continually improving, particularly with respect to the terms and conditions of bank loans and to the supply of equity)
- improvements to the current fragmentary advice and support infrastructure for new businesses, including a national core start-up service

- suggestions for changes to an education system which does little to prepare students for the commercial world.

The last point created quite a lot of resistance in the media. The journalists had fun with images of rampant capitalism in the playground (although they may have forgotten bartering their marbles). But when I asked after the interview whether they were self-employed, they invariably said, 'Yes' and in answer to 'Were you prepared?' they said, 'No'. That final response is the crux of our report and the challenge for education and training providers.

As a potential provider, there seem to be two clear areas of interest for FE: the ways in which courses can incorporate enterprise training and the role of further education in supporting the local creation of new enterprises. The reasons for considering FE involvement stem from the role of colleges within the community. Their knowledge of the local economy, and of the needs of groups such as ethnic minorities and women returners, can be extremely beneficial in addressing some of the barriers to the creation of successful new enterprises.

Enterprise as part of compulsory and sixth form education

There has been an increasing interest in the role of commercial skills in the education system, whether as additions to mainstream curricula or integral parts of courses. These issues have arisen in current debates such as the Dearing Report on higher education (NCIHE, 1997); general discussions about the relevance of the curriculum and the need for more life skills such as citizenship and commercial awareness; the potential moves towards a more integrated vocational and academic post-16 syllabus, and the discussion of disaffection and non-participation in the education system.

If you accept that the education system does very little to prepare students for the world of commerce, and that people do need to be prepared for future work patterns that may include self-employment, then you need to address how that can be done.

It is possible to envisage a whole ladder of entrepreneurial skills starting with the youngest children at school and progressing through to FE and university. Projects already exist, such as virtual companies that are set up with help from existing firms, partially funded commercial projects in co-ordination with other local agencies and businesses, and talks and seminars by business. The best schemes work with the needs of the students and the resources available in the local community. Some of these initiatives may form the basis of changes to the curriculum to include life skills, but that is beyond the scope of this chapter.

One example of an extra-curricular approach to enterprise is fairly well known – that of Young Enterprise (Young Enterprise, 1995). Under the most popular scheme, students become shareholders and directors of their company and sell shares to raise money. This revenue enables them to buy materials and equipment to make their product or develop a service. Revenue comes from sales and trade fairs where students sell products and swap experiences.

Experience of this kind of scheme seems to improve students' business knowledge, influence career preferences, increase employability and success in university entrance, and develop personal skills such as taking responsibility, leadership, motivation, entrepreneurship and self-organisation. Anecdotal evidence suggests that such projects tend to have a positive effect on academic performance. If true, that is a very strong argument for their adoption.

Some sixth form colleges are considering how such schemes can be set up and what they would entail for the ongoing professional development of teachers. Existing projects within schools involve local business people in delivering course units and mentoring student companies. This could be a very practical and satisfying way to encourage links between FE and the local business community, particularly with ex-students who may be keen to put something back into the college.

There is also a need to look at the careers advice on offer and whether it includes expertise on new enterprises. Of course, very few young people are ready or willing to start up a business at 18, but the experience gained through entrepreneurial projects should prove extremely valuable.

Entrepreneurship in FE

Enterprise education is especially relevant for FE since most FE courses are highly vocational. Some training will be in sectors characterised predominantly by self-employment or where there is likely to be a high possibility of starting your own business, for example, design or IT.

As part of the Scottish Enterprise Business Birthrate Strategy, the Scottish Further Education Unit undertook a survey (SFEU, 1997) to look at the extent of enterprise activity within FE. It considered the inclusion of commercial skills in existing training, stand-alone enterprise courses, the extent of work placements and work-based learning, student-centred enterprise activities, staff development and the entrepreneurial culture of the college itself. There seem to be a range of opportunities for students to gain access to enterprise activities.

The authors strongly made the point that enterprise does not need to be a unit or module but is often part of general course delivery. Indeed, the report concluded that 'the development of enterprise skills in individuals occurs more easily if enterprise is seen to be a natural part of the culture and learning process than if it is treated as an add-on element of the educational experience ... not only could enterprise be introduced into the spectrum of curriculum provision in colleges, but ... it should be introduced across the vocational curriculum as an integral part of provision'. The relative merits of either including enterprise in all aspects of courses or introducing specific modules need further discussion, although both are probably useful. Newham College, for example, is considering including a half or full module on enterprise in its GNVQs and other courses, part of which will involve writing a business plan.

There is also room for more specific enterprise-oriented practical experience, for example through a variant of Young Enterprise. The SFEU report gave examples of 'college-centred student enterprise' based on this model.

> 'In August/September students from one or more college sections are given the outline of an entrepreneurial activity to be undertaken as part of their course. For example, a group of Design, Printing and/or Administration students are told that a Christmas market exists within the college

for cards and possibly decorations, and they should form a small business enterprise to satisfy this market.'

A Student Enterprise Board meets to:

'prepare the business plan and budget ... the resources and materials and initial financial investment required, possible sources of funding and selling price'.

Another option could be entrepreneur clubs. Local TEC support could develop networks of appropriate entrepreneurs and business people to act as sources of advice and perhaps finance. Club activities might include setting up commercial projects, seminars from entrepreneurs and placements with relevant small businesses. Such groups are another way of building links with local business people.

Again, careers services need to pay much greater attention to self-employment needs. It is important to forge links with the business support infrastructure in order to pass people on to appropriate sources of advice and support, for example, the local enterprise agency, TEC, Business Link, or the banks.

It might also be appropriate to consider more focused start-up courses which could be taken by new or existing students. As indicated previously, pre-start training has been shown to be very important in the survival rates of firms. Banks are increasingly aware of this and are linking their terms and conditions to advice and support provision currently available from TECs, Business Links or enterprise agencies (Gavron et al, 1998). There is no reason why FE cannot also be linked in this way.

A number of FE colleges already have start-up courses and support. The range of schemes varies considerably. Responses to a recent FEDA survey (cited in James and Clark, 1997) ranged from training and consultancy, business development through TEC funding, advising new firms on training and skills development, working with the Business Link, through to on-line training support. Some colleges have their own business units which may include managed workspaces and a wide variety of courses for small and medium-sized enterprise development, spanning start-up and growth.

In discussion with colleges, one particular consideration was raised about the nature of enterprise courses. Many small businesses want a mix of core modules and further training, as and when required. Much of FE is still tied to traditional funding formulas for courses which fit a prescribed description and timing. However, on the ground there has been a plethora of flexible new delivery mechanisms in response to private sector demands and alternative sources of funding. Some recent drivers enhancing that push include the University for Industry, Gateway training for the New Deal and the use of new communications technologies.

Where there are quite comprehensive start-up courses and support, funding often comes from TECs, Single Regeneration Budget strategies, or European Union Objectives 2 and 3 money. The problem with EU money is that with EU expansion it is hard to say how much finance will be available in future. That poses a problem since the support for start-up training is extremely fragmented. More resources are needed and a nationally available core start-up service, available, for example, through Business Link access points, could signpost other organisations providing advice and support. By incorporating some kind of diagnostic tool, support can be tailored to individual needs fairly cheaply. One could imagine the latter becoming part of the UfI or available through Careers Services.

But some start-up courses might pay for themselves or be subsidised from other activities. Cross-subsidy is more likely if there is a dedicated business support unit or a variety of commercial activities within the college. There are also possibilities for further support through the productive use of equipment and expertise. For example, students completing multimedia courses may wish to develop their own business opportunities by using college equipment outside class hours. This access could be complemented by the availability of support staff to deal with queries.

The SFEU report called this type of approach 'nursery' or 'greenhouse' support and suggested that there were:

> *advantages in colleges offering 'Enterprise Packages' which include an appropriate course, a recognised qualification, practical training and nursery enterprise facilities for subjects which have new enterprise potential.*

Some colleges might also specialise in different sectors where they have most expertise, mirroring the way in which higher education promotes 'centres of excellence' as hubs for companies working in that field.

Another way to involve local businesses or business people is through mentoring. Mentoring has been successful for many students and could also be extended to people starting, or thinking of starting, their own company. Some business people may also act as business angels and put money into the new enterprises. It may be possible to link up with local networks of mentors or business 'angels', accessible through the TECs or Business Links.

The last example illustrates the importance of identifying the college's strengths and how it can work with other organisations in providing integrated services. For example:

> The Darlington Partnership involves Darlington FE at the centre of a jobs initiative utilising new funds and existing investment incentives. The Midland Bank created a £300,000 fund to offer loans of £3,000 to £10,000 for up to seven years at interest rates two per cent below base in order to encourage viable businesses. There is a business centre with advice and training and starter workshops which employs staff from three agencies. The project also includes community enterprises and the college delivers courses directly on an estate. (Hughes and Kypri, 1998)

Another interesting example is the development of Selby College Business Management Bureau:

> In 1995 they set up a Business Development Unit to provide an effective business support service but, after discussion with the local enterprise agency, decided not to include start-up support to 'avoid wasteful competition'. When the enterprise agency closed down, the college then applied to run start-up services for the TEC. Their approach was initially greeted with scepticism but the subsequent programme development has proved very successful. Brendan Crossan, the Business Development Manager, believes that they were successful in their bid because they:
>
> - sought and gained the support (including financial support) of the banks
> - harnessed the support of local small businesses

- already had a reputation for flexible quality support services
- located the Business Management Bureau in town centre premises and offered surgeries in other areas
- brought in experienced staff from outside the college
- accessed funding not provided by other bidders (European and FEFC).

But these sorts of initiatives tend to respond to the needs of people who are already keen to start their own business. How do you deal with some of the more intangible barriers that prevent people from realising their aims?

Raising awareness of entrepreneurship in the local community

Faced with the poor rate of new business formation in Scotland, Scottish Enterprise (SE) set up a series of schemes aimed at promoting entrepreneurship as widely as possible. This programme was part of the Scottish Business Birthrate Strategy (Scottish Enterprise, 1996).

Scottish Enterprise found a range of barriers – both real and perceived. One of the most important was belief in the difficulty of obtaining finance (Scottish Enterprise, 1993). There are some demonstrable finance gaps, relating mostly to the terms and conditions on loans and some problems with equity for new businesses (Gavron et al, 1998). However, Scottish Enterprise found that finance was not considered as much of a problem once people started to develop their business. The finance barrier was therefore partly due to lack of information and advice.

There were other barriers, too. Since a high proportion of the population expressed an interest in becoming entrepreneurs, but did not go on to do so, Scottish Enterprise focused on converting potential into actual entrepreneurs. They identified a number of factors under the heading 'fundamentals of starting a business' which were crucial in giving people the confidence to go ahead:

Personal development

- coping with fear and risk
- positive thinking and assertiveness

- managing pressure
- people skills
- problem-solving.

Developing a business

- developing a vision
- developing a product or business idea
- acquiring basic business skills
- identifying and securing resources
- getting support and advice.

Scottish Enterprise therefore set up Personal Enterprise Shows to help people determine whether entrepreneurship was a viable option and how to move a business idea forward. The format is that of a 'buzzing bazaar' where people are encouraged to browse, pick up material and attend workshops. FE might consider the scope for local versions of this event. SE have also set up forums where potential entrepreneurs can meet existing business people, try out ideas and swap experiences. These networks are particularly prevalent in the US and reflect the reality that most people gain advice from peers rather than from support agencies (Gavron et al, 1998).

There is, therefore, a strong potential role for FE in trying to raise awareness of entrepreneurship through easy access, taster days and encouraging the formation of local entrepreneur clubs. The enterprise events might be targeted on groups with different needs, such as women returners, the disabled, older redundant workers, and the unemployed; or they might be concentrated on different industries, such as music or IT. These sessions may result in people signing up for courses or gaining access to information which enables them to take part in subsidised schemes such as those offered by the Prince's Youth Business Trust.

Conclusions

FE is well placed to encourage and prepare people for self-employment and entrepreneurship, particularly providing vocational courses which may offer people the opportunity to start their own business or take on contract work. It also has a potential role in strategies to encourage entrepreneurship in the local community as part of wider regeneration initiatives.

FE is embedded within the community and is thus much less intimidating for some people than more formal development agencies such as Business Links. Colleges, through their knowledge of the local population, can tailor courses to meet differing needs.

But the ability to introduce or extend enterprise will depend on the staff and the enterprise culture within the college. Staff with business experience are invaluable, as are personal development activities and strong links with local business and development agencies. Enterprise can thus be an integral part of FE development and not just an optional extra.

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Chapter 4

Community colleges and urban development

Henry G Cisneros

In the search for solutions to persistent problems of poverty and corrosive joblessness in our urban centres, the potential of urban community colleges[1] as agents of social transformation and catalysts for economic revitalisation has not yet been fully explored. Community colleges are hardly an untapped resource; there are about 1,200 of them. They are accessible, affordable institutions now working at the centre of the best educational and training programmes in the country to help youth, adult workers, and employers gain the technical skills and learning tools required for economic success. However, I believe that community colleges, especially in our large cities, can and must do still more. I welcome this opportunity to summarise a few ideas about how that might be accomplished. I argue here for appreciating more fully the massive impact of community colleges in America's cities and for bringing them to the front of economic and social strategies aimed at revitalising our most depressed urban neighbourhoods.

I am a strong advocate for community colleges. I learned early as mayor of San Antonio how important the community college was to my community and how critical it was that I support its growth and help strengthen its capacity. I have since had the opportunity to see the impact and learn of the challenges community colleges face in many other cities. There is, of course, wide diversity of direction, capacity, and impact among these institutions and, because of inadequate resources or lack of leadership, some

community colleges are not measuring up to the challenges. Still, I am convinced that America's community colleges are among our most precious national assets. They are uniquely positioned to help all of us navigate the ebb and flow of economic changes and social transformations facing our communities.

Two central facts about community colleges engender my admiration and generate my concern that they receive help. First, of all post-secondary sectors, community colleges enrol by far the highest proportion of low-income youth, particularly from our urban centres; the highest proportion of legal immigrants seeking to develop their skills and expand their opportunities; and the highest proportion of minority groups who are under-represented both at middle- and upper-income levels and in good jobs with career opportunities. Heading off the spread of poverty among these groups and reversing the growing disparity of wealth and income are among the most important tasks facing our nation. Community colleges are one of the keys to meeting these challenges. Second, community colleges are taking on the huge task of 'reskilling' America's workforce by helping literally millions of working adults develop higher levels of basic and technical skills. Success in this unprecedented challenge is essential if America's workers are to earn good wages and if their employers are to compete in demanding world markets.

Yet, although community colleges enrol about 43% of our nation's undergraduate students (about 30% of full-time students), they receive only about 19% of state funds for higher education, and only about 10% of federal higher education aid (Koltai, 1993). A quick look at urban America's elementary and secondary school enrolments reveals large increases in children from poor families who lack preparedness in basic skills. The pressures on scarce community college resources will not abate. Community colleges will need more support.

This essay briefly traces the emergence of community colleges as major components of our national educational, economic, and social endowment. It reviews how the missions of these two-year institutions have evolved over time and profiles some essential facts about community colleges now. Much of the argument put forward here holds for all community colleges; many community colleges serving smaller towns and rural

communities can rightly claim successes and challenges similar to those in our large urban centres. But because of my work over the past several years, I have focused here on the special challenges and opportunities facing urban community colleges, those colleges that confront daily the daunting problems of America's urban centres when work disappears. This essay suggests strategies through which businesses and governments can help these unique institutions play a more effective role in urban areas. It also outlines some ideas about how these colleges themselves can take measures that will deepen their impact on urban centres.

A brief profile of the community college

Community colleges – two-year institutions primarily offering associate degrees as the highest degree conferred and as focused on job training and economic development as on formal education – are, in comparison to older four-year colleges and universities, relatively new in the United States. The first ones were usually private institutions, many of which started as four-year schools and were forced to drop the last two years because of resource constraints. The first public two-year institutions were established early in this century in California, Texas, Michigan, and a few other states. The concept spread gradually, and by the 1930s most states had laid the foundation for statewide systems. Each state system of community colleges has evolved out of unique requirements; each college has been shaped by different educational philosophies, governance systems, and funding approaches. Therefore, each school is a product of its own community, and to measure them by the same yardstick is difficult.

Enrolment grew faster in these two-year schools than in the four-year institutions, especially in bigger cities and especially during the years of the Depression when additional schooling was an alternative to unemployment. But the massive enrolment of World War II veterans under the GI Bill led to rapid growth of community colleges throughout the nation, and in the 1960s when record numbers of baby boomers – the children of those veterans – left high school looking for post-secondary education, community college enrolment soared again. Four-year colleges could not handle the large numbers of new students; it was easier and cheaper to build new two-year schools and expand their enrolment. During the 1960s

and 1970s, literally hundreds of new two-year colleges were established to accommodate this flood of new students. Many were placed in urban areas in direct response to the growing problems of urban unemployment and poverty. Between 1970 and 1983, while four-year college enrolment increased by 22%, community college enrolment increased by 113%. Steady enrolment gains continued into the mid-1980s when the demographic bulge began to abate, but community college enrolment is increasing again in the mid-1990s. It will increase rapidly as the children of the baby boomers graduate from high school; move into young adulthood; and seek affordable, accessible post-secondary study.

A few facts about community colleges in America

- There are about 1,100 public two-year, post-secondary institutions in the United States, serving about 6 million students in credit courses and 5 million students in non-credit programmes.
- Public community colleges enrol more students than public four-year institutions, but more than 60% of community college students are enrolled part time (fewer than 12 credit hours per semester).
- The average age of the community college student is 30 years. More than 50% of those enrolled as full-time students also work full time or part time. Of those who are part-time students, about 66% work.
- While community colleges enrol about one-third of all students in all post-secondary study (public and private, graduate and undergraduate), about one-half of all minorities enrolled in higher education institutions of any kind are in community colleges, up from 40% in 1980.
- Average annual tuition and fees for public community colleges are only about 40% of those of average public four-year institutions. The total annual costs per full-time student are about one-third those of their four-year counterparts.
- Only about 30% of community college students receive financial aid of any kind. Because they attend less costly institutions, because many are part-time students, and because most work part time or full time, community college students do not qualify for much of the aid available to those attending more expensive four-year institutions.

- More than 45% of revenue comes from the state government; about 20% from student tuition and fees; and the balance from private contributions, the sale of training services to businesses, and federal aid.
- About 65% of the faculty of community colleges are part time. Just 20 years ago, that number was about 40%.

A diverse mission

The mission of community colleges has undergone very important changes during these years. In the first few decades of this century, the schools were aimed chiefly at relieving the burden of the four-year colleges and universities by providing the first two years of education to students who would then transfer to the four-year schools to pursue their bachelor's degree. These schools were known as *junior colleges*, and they were viewed chiefly as a feeder system for their senior partners. In the decades of the 1930s and 1940s, the schools came to be recognised for a second mission – providing occupationally oriented post-secondary programmes for students not planning to pursue a four-year degree. In the 1960s this vocational mission expanded as a changing economy began to place a stronger premium on post-secondary occupational and technical skills. At the same time, a small number of southern states began linking their colleges directly to economic development activities by establishing programmes tailored to new and expanding industries.

Degrees began to reflect this duality of mission. Community colleges award two-year associate degrees as their highest degree, but these degrees come in two broad categories. First there are Associate in Science or Arts degrees that are awarded to students who see themselves as baccalaureate candidates, and who are expected to transfer to a four-year programme. Sometimes these degrees suggest job readiness to employers, but most frequently they are organised around the requirements of four-year institutions, not direct employment. Second, there are Associate in Applied Sciences degrees, which most students see as terminal degrees. These credentials are intended for those entering the workforce, not the university, and because many modules are not transferable to four-year programmes, this degree may not transfer as two full years.

Community colleges also offer certificate programmes that generally require a year of study but sometimes less. They are designed very specifically to qualify a student for employment in a given field or to provide the basis of taking certification exams. Finally, large and growing numbers of community college students are not interested in an associate degree or a certificate of any kind. They have very specific and customised personal competencies in mind that might be achieved by just one or two courses, or they may be simply exploring possible employment paths and opportunities.

The last several years have witnessed still another major threshold in the evolving mission of urban community colleges. America's economy has undergone wrenching change as markets have become global and foreign competition has intensified. New information processing and communication technologies have altered jobs in very drastic ways. Businesses have responded by decentralising, downsizing, shedding layers of management and increasing their expectations for worker skills and flexibility. This response has had two profound impacts on community colleges. First, they have taken on lead responsibility for producing the highly skilled and motivated 'renaissance technicians' demanded by employers in all economic sectors (usually accredited as Associate in Applied Science degrees). This has significantly increased enrolments in sub-baccalaureate programmes. The most recent congressionally mandated assessment of vocational education indicates that while vocational enrolments on the secondary level are still shrinking, they are sharply up at the post-secondary level. Second, community colleges have become the chief institutions in this country for reskilling tens of millions of adults already in the workforce. They are providing ever-increasing amounts of personally customised training, for much of which degrees of any sort have little relevance.

Perhaps of even greater consequence is new evidence that these profound economic changes have begun to influence the education and learning behaviour of adults. After years of being told repeatedly that employment security is vanishing and they must take more personal responsibility for their employability, adult workers may be listening and taking action. According to the National Center for Education Statistics, the adult worker group aged 35 to 54, which will comprise about one-half of the work force by the year 2005, is the fastest growing consumer of continuing

education. In 1995, nearly 50% of this group took some form of adult education – up from just 17% only 10 years ago – and almost one-half of these adult workers are going to community colleges to pursue their continuing education.[2]

These four major trends – the latest dramatic increase in the number of young people leaving high school for post-secondary education, the increased demand from private employers for more highly skilled professional technicians, the need for many companies to retrain virtually their entire workforce, and the new willingness of adults to seek more learning on their own – represent huge tasks of enormous consequence for community colleges. There is nothing 'junior' about these institutions any longer.

Unfortunately, the more traditional responsibilities did not go away when these new challenges emerged. Many people still measure urban community colleges by how well they channel youth into post-secondary study and prepare them for four-year institutions. And their very rootedness in their cities means that residents and local public officials expect the urban community colleges to be involved in all aspects of the social, economic, and civic life of the community and to be a common, integrating force, often in very diverse and divisive communities. Most urban community college presidents would agree that their institutions play four principal roles today:

- providing a lower cost and more accessible alternative to the four-year institutions for the first two years of post-secondary education for students on their way to the baccalaureate and advanced degrees
- offering occupationally specific and technical training programmes with terminal associate degrees and certification for students not intending to pursue four-year degrees
- helping local employers train their incumbent workers and managers in the skills demanded by changing business environments

- providing a hub for human resource, economic and community development in the region they serve. They support local residents who want to explore new economic opportunities, update their work-related skills, or pursue avocational interests. They serve as a resource and information centre for community and business services. They find and catalyse opportunities for collective action among area employers.

Resolving the tension between academic and vocational missions

There is bound to be some tension among the different components of this mission. Indeed, there have long been different judgements about the relative importance of the academic role of community colleges as a point of entry and a stepping-stone to four-year baccalaureate education and the more vocational role of providing employer-certified, short-term, job-readiness training and terminal degrees for one- and two-year technical programmes. These two points of view about priorities are especially important to urban communities, where the diversity of the student population and local employers challenge the flexibility of the college.

For many years, the barriers to higher education were seen as distance, cost and the inability to make a full-time commitment. But during the 1970s many two-year institutions, especially those in urban communities, were urged to treat deficits of previous education as a barrier to access. This was then used, appropriately, to justify policies of non-restrictive enrolment and remediation and vastly expanded, comprehensive curricula. Because urban community colleges have been asked to serve such a wide range of students in the cities, they have tended toward a very wide range of programmes, especially those of a vocational nature for students who have little expectation of pursuing a baccalaureate. Many young students enrol to explore career alternatives and decide what they want to do next with their lives. Local businesses – many of which are small and have no formal hiring criteria – have even less concern for degrees and credits. They want experienced job entrants who can step right into a job and exercise good judgement and problem-solving skills, and they want to upgrade the skills of their incumbent workers.

However, some have criticised this as vocationalism and have seen it as a diversion from the mission of giving undeserved students the best opportunity to transfer to a four-year college. These critics argue that, especially in the 1970s, many urban community college leaders lost interest in the transfer function and swung the pendulum of institutional resources toward remedial education and terminal vocational and technical programmes. Those who hold this particular view of the urban community college worry that the push towards wider accessibility is not necessarily an avenue to opportunity but rather another obstacle to the baccalaureate at a time when for a growing number of positions of influence and leadership, a four-year college degree is increasingly a prerequisite. All community colleges have been subjected to this criticism, but urban institutions have come under sharpest scrutiny.[3]

Measuring community colleges as though their highest goals were to help students acquire four-year degrees no longer makes much sense. In fact one of the more interesting developments in community colleges is enrolment among those who already have their baccalaureate but who now seek stronger occupational and technical skills. The certificate and associate degrees are rapidly gaining credibility and value among businesses. A person with an associate degree, for example, has double the chance of becoming a manager or professional for someone with only a high school diploma (Grubb, 1996). In 1990 an engineering certificate (usually requiring one year to complete) was worth 20% more than a high school diploma, and an associate degree was worth 30% more. In fact, if work is the first goal, community college programmes make a great deal of sense. Growing evidence suggests that mastering a demanding community college technical programme significantly helps to penetrate the labour market quickly and successfully, and upward mobility will be enhanced by further work toward the baccalaureate when the individual has the income stream to pay tuition. At the same time, community colleges are able to serve both people who are not sure what they want to do and enrol in order to explore career opportunities and those already in the workforce who want specific skills to enhance their careers.

The diversity of the urban community college mission needs to be understood as a source of strength, not weakness. Indeed, given the vast span of backgrounds among urban students, there need to be many avenues for student success. It is wholly appropriate to challenge the colleges to better themselves in all aspects of their mission, but the way to do that is not to set one against the other. Rather, it is to find the synergies among them: to understand how, for example, the transfer objective is enhanced by the closer links to practical economic opportunity and how academic and vocational strategies can be used to reinforce each other. Taking on these different roles is the essence of community colleges; this is what sets them apart from other educational institutions and drives their flexibility. In many urban centres, the diversity of mission also undergirds the unique capacity of these special institutions to be an integrating force in otherwise fractured communities.

Good news and bad news

Now for the good and the not-so-good news. The good news is that many community colleges are meeting these challenges with distinction. Some are stumbling, but many others are exemplars of agility, flexibility, technical competency, and organisational efficiency that any private sector firm would be proud to achieve and few public sector organisations see as within their reach. In this essay, a few examples of high-impact undertakings are highlighted; there are many more.

The bad news is that the challenges facing these institutions are growing daily. The colleges are under-appreciated and many are too inadequately funded to continue to shoulder the burdens. They need more public and private financing, freedom from cumbersome administrative procedures and regulatory constraints, tighter links to employers in their regions, closer ties to emerging technologies and organisational improvements in America's leading firms, better partnerships with other groups in their communities striving for economic and social change, and help learning from each partnership and building on complementary competencies.

The special challenges facing urban community colleges

Nowhere is this good news and bad news more apparent and nowhere is it more important than in America's large cities. This is an especially challenging time to be on the staff or faculty of an urban community college or system of colleges that serves predominantly poor and economically disadvantaged communities in an American city. Of course, it was never easy, but it is even harder now. Community colleges cannot have a significant impact on the economy in our big cities if they focus only on successfully educating and training the students who make it to their doors. Without the ability to connect to growth and opportunity in the regional economy, urban residents are unlikely to develop high aspirations for education and training. Without such aspirations they will not commit to the difficult road of work and study that most community college students must travel. Without some vitality in the urban economy, employers will not get involved in the design and delivery of the occupational and technical programmes that offer a pathway out of poverty for the urban poor. These facts place urban community colleges squarely in the business of economic development at a time when it is widely recognised that many urban communities are being left behind in America's uneven economic growth and there is little consensus about how to revitalise economically depressed urban neighbourhoods.

Although some might disagree about the catalytic role of government in re-energising inner cities, the need for private sector-centred, market-driven strategies is apparent. And here the assets of community colleges seem especially important. First, they usually have tight linkages with the employment community in the regional economy. More than most community-based organisations, community colleges know who the employers are and how to engage with them. Second, they are flexible organisations. Certainly more than any other educational institutions, and frequently more than most other public sector entities, community colleges can change and reconfigure their programmes quickly and relatively inexpensively. Third, they are institutions of respect, legitimacy, and endurance in depressed urban areas where few organisations can claim these attributes. Fourth, their skilled faculty and administrators and their

capacity for acquiring new skills and specialised capabilities quickly and frequently through consultants and part-time faculty show that they are already active in economic development. Finally, these institutions have a vested interest in the economic vitality of urban communities. If urban community colleges operate within a growing or revitalising area, they will be more successful at attracting students and acquiring more resources.

The loss of jobs and economic vitality in inner cities

The prospects and possibilities of the urban community college are set in sharp relief against a brief review of the challenges that face America's big cities. Between 1950 and 1990 the average big American city itself lost as much as half of its population. Although the metropolitan region as a whole grew slowly, most of that growth was probably in the outer suburbs, well outside the city. Even more dramatic than the population shift has been the shift in wealth, income, and economic opportunity. More affluent residents have moved out and left the very poor behind. Per capita income in the suburbs is probably 40% to 50% higher than it is in the city. Unemployment in the average big city is likely to be twice or even three times as high as the rest of the region.

Three decades ago, most of the jobs in most metropolitan regions were in the hub city. But now just the reverse is true – most of the jobs and almost all of the net growth of new jobs are well outside the hub city. Many employers relocated with the growth of interstate highways; their jobs are scattered along the outer beltways that were designed to route traffic quickly around, rather than through, congested hub cities. Government urban renewal programmes sometimes contributed to the destruction of functioning communities and thriving local economies. Public housing strategies have also resulted in concentrated poverty and distress. And governments at all levels have created huge administrative and bureaucratic barriers to business investment in inner cities (US Department of Housing and Urban Development, 1995). For example, well-intentioned environmental safeguards aimed at controlling redevelopment on old industrial sites that may have been contaminated have had a devastating impact on the pattern of industrial investment. Redevelopment of brownfield sites is often too expensive compared with locations in subsidised greenfields on the outskirts of cities.

As a result of these factors, business development and job creation in many cities, especially in the older residential and industrial districts, have virtually ceased. The only new jobs have frequently been those directly serving the central business district, and productivity changes and technological advancements have reduced the jobs in those areas that can be filled by the poorly educated and inexperienced. In some cities the downtown services sector has generated some job increases, but such jobs are generally low wage and poorly connected to better paying jobs that offer a dependable path out of poverty. Most of the good central-business-district jobs require high levels of educational preparation and are held by commuters who come into the city from more affluent outer suburbs with better educational systems. Almost all regional economic development is occurring on the expanding fringes of these metropolitan areas. Many older industrialised districts located closer to residential neighbourhoods are now virtually deserted. The civil jurisdictions near the core of the region are losing population, employers, jobs, and the tax base that will support good schools and transportation systems. Most immediately and dramatically, they are losing their connections to the regional economy. Perhaps 30–40% of the households clustered close to the centre of many metropolitan regions do not have automobiles, compared with only 5–10% for the rest of the region. Given the limited public transportation systems in many cities, this means that commuting from poorer neighbourhoods at the urban core to the good jobs at the outer fringes can be very difficult.

These harsh changes have a racial dimension. African-Americans in the region are four times as likely as whites to live in the decaying core of metropolitan areas. The proportion of poor African-Americans living in central cities rose from 38% in 1959 to 80% in 1991 (Wilson, 1996). African-Americans and Hispanics are four times more likely to live in poverty, live in deficient housing, and be unemployed. Many live in unsafe neighbourhoods; the crime rate in the hub cities is three to four times higher than in the suburbs. Income for white persons is nearly twice as high as for people of colour.

The link between education and urban unemployment and poverty

The strong economic rebound of the past few years has begun to make a difference in urban unemployment and poverty. However, a close look at the structure of employment in our major cities reveals dramatic evidence of the importance of post-secondary education and underscores the pivotal role of affordable, accessible community colleges. John Kasarda's recent study of economic restructuring in major American cities documents huge job losses in industries in which workers averaged less than a high school education. This finding was only partly offset by increases in those jobs where most workers had more than 13 years of education. Within inner cities, jobs for less-educated workers have declined dramatically; most of those that are available offer very low pay (Kasarda, 1995; US Department of Housing and Urban Development, 1995).

The level and quality of education and training have always made a big difference in people's standards of living, but the current educational bias is huge and the economic consequence of poor skills is cruel. Good jobs are increasingly dependent on high skills; more than ever before, people with better education and higher skills do much better relative to unskilled workers. An overwhelming majority of recent efforts to explain this growing division in earnings and wealth has found that the relative differences in education and skill account for the largest share of that division. Some people do well and others do not, largely on the basis of their education and work skills (Murnane et al, 1995).

The problems endemic to public education in larger US cities have been well documented and are depressingly familiar. With low levels of educational achievement and poor work skills, poor inner-city residents have access only to jobs that pay the minimum wage or slightly more. Moreover, those who hold low wage jobs are increasingly detached by economic relationships, transportation systems, or social connections from the better paying jobs that might become available with enhanced experience and work skills.

It used to be that relatively inexperienced and unskilled individuals in big cities could start work at the lowest wage level with area employers, often urban manufacturers, with the expectation that they could gradually climb the rungs of a clearly defined job ladder toward higher paying jobs that came with more experience and skills. In fact, in the 1940s, 1950s, and even well into the 1960s, the chance to work for one of the firms offering these career ladders drove much of the migration to America's big cities. In today's economy, however, most firms have eliminated internal career ladders. Those few job ladders that remain have far fewer rungs, and they are more widely spaced. Moving up them requires a huge increment of skill and experience, often represented by credentials such as an associate degree.

If we had no community colleges today, the creation of flexible, affordable, and accessible institutions of learning and skills development that could reach out to both businesses and poorly trained individuals in urban areas, integrate diverse cultural and economic pressures, and play an enormous role in stimulating inner-city business development would most assuredly be at the top of our list of national priorities. In fact, of course, these institutions are in place and at work. Community colleges are having a major impact on the problems of urban America. With more help, they could play an even more important role.

Hallmarks of best practice in urban community colleges

Perhaps the best way to appreciate the potential of urban community colleges to help alleviate the problems of joblessness and economic stagnation in our big cities is to see what they do at their best, to review some of the best practices underway among them. Later in this essay I will balance this overview with an examination of some of the tough challenges they face.

Community college-business partnerships

Almost all business owners I have talked with in recent years have told me of serious problems they have encountered in recruiting high-skilled workers with the right technical qualifications and in finding entry-level workers with the foundation skills and work-related behaviours necessary for successful employment. To some extent this tight labour market results from smart economic policies that have promoted solid business growth and job creation. But it also reflects our inability up to now to tap the economic potential of all while leaving no one behind. We still have far too many unemployed and under-employed people in economically depressed urban neighbourhoods; we must do a better job of pulling them into the economy.

Urban community colleges have the potential, especially in close partnership with employers, to meet this challenge. For example, in co-operation with employers the colleges can build training programmes that link low-skilled jobs to higher skills and higher wage ones, establishing pathways out of low-end jobs toward the higher wage opportunities that attract jobseekers trying to support families.

A good example of how these partnerships benefit the colleges, the corporations involved, and inner-city residents is the relationship between Johnson Controls and the Community College of Denver (CCD). In October 1995, they entered into a partnership under which Johnson Controls donated building systems control materials to CCD to build a new training facility at its downtown campus. This facility incorporates a state-of-the-art facility management and control system and an advanced controls laboratory. It now houses the Johnson Controls Institute. For 30 hours each week, Johnson Controls uses the facility to conduct customer and employee training. The lab also serves as a highly accessible sales demonstration centre.

On its part, CCD is incorporating the Johnson Controls course curriculum into its environmental and refrigeration technologies programme. It has created a certificate programme in advanced control technologies and is awarding credit toward related associate degrees. Johnson Controls' customers and employees who take courses from the Johnson Controls

Institute receive credit for courses completed. CCD students have access to some of the most up-to-date environmental controls and management training facilities in the world. Because the programme is located at the downtown campus, it is accessible to residents of inner-city neighbourhoods who typically have limited access to high-technology, high-wage employers such as Johnson Controls. In Denver those residents now have an inside track toward employment with Johnson Controls and similar companies when they finish their course requirements.

Other corporations have partnered with community colleges to gain some measure of control and predictability over the skills of new workers and to gain access to training centres for upgrading the skills of current employees. For example, many of the large automobile and trucking companies, construction equipment manufacturers, and other major firms have created 'schools' at particular community colleges to assure that new technicians have received specialised training and that existing workers can upgrade their skills.

A few years ago, several of America's largest and most respected firms entered into a consortium to pool many of their supplier-focused training programmes. The Consortium for Supplier Training (now consisting of Chrysler, Texas Instruments, Motorola, Xerox, Kodak, Texaco, SEMATECH, and Bayer) has entered into partnership arrangements with several community colleges around the country – such as Dallas County Community College – to deliver these training programmes to suppliers located near the schools. This partnership has allowed the big firms to distribute supplier training much more widely than if they had used their own training resources. In addition, it gives the community colleges far tighter linkages and deeper familiarity with the strategic and technical issues deemed critical to these very successful firms. The partnership enhances the community colleges' reputations and visibility as institutions of high-level training and allows their students to connect with potential employers and profit from the technologies and business strategies embedded in the training programmes.

Firms in the services sector can also benefit from these community college partnerships. A new programme at the Metropolitan Community College of Kansas City (MCCKC) is aimed at the training of customer service

representatives, one of the fastest growing service occupations in the nation. These customer service representatives typically work out of call centres – large facilities in which the workers can handle hundreds of calls a day from around the country. Kansas City boasts 21 call centres, some of them very large employers, across its metropolitan area. To meet the needs of these centres and alleviate the high rate of unemployment in some urban neighbourhoods, MCCKC has started a call centre training programme to provide introductory training to entry-level workers and customised training to existing workers. The programme has been funded by grants from several large companies, including AT&T, which provided the switching equipment. MCCKC is confident that it can guarantee anyone who completes the training a job in one of the area's call centres. In addition, the project will stimulate enhanced technical training for high-wage jobs in telecommunications technologies.

Portland (Oregon) Community College (PCC) has developed an especially creative partnership with Wacker Electronics to provide job training and employment to residents of a distressed area of the city. Wacker is a large micro-electronics manufacturer with about 1,500 employees located across the river from one of Portland's more distressed areas. Both the plant and the neighbourhood are in a US Department of Housing and Urban Development (HUD) Enterprise Zone. The manufacturer has had a serious problem recruiting and retaining employees and has suffered a huge and very expensive turnover rate among entry-level workers. Finding and keeping good employees during plans for a plant expansion has made new training strategies a top priority. As part of its Enterprise Zone location, Wacker is committed to training at least 50% of its new workers from the zone. In order to meet its training needs, Wacker and PCC developed a school- and job-based training programme that concentrates on both industry-specific and general problem-solving skills. When a trainee commits to the programme, he or she immediately becomes a Wacker employee. This means the student is paid during both the classroom and on-the-job training portions of the programme prior to assuming full-time work. More than 500 individuals have begun the programme and, to date, 400 have completed it and become full-time Wacker employees. The project began with an initial grant from the Oregon

Department of Economic Development, but now Wacker funds the entire programme. It seems to be a smart investment; the company estimates a 60% savings in training costs.

There are many other examples of these partnerships between businesses and community colleges. It is an obvious alliance with benefits for both. Industry needs a dependable source of training for current employees and new entrants with strong technical skills. Because the colleges are flexible institutions respected in the urban communities as a means to a good job and a pathway out of poverty, they are able to reach out to the under-employed in urban America in a way private firms alone cannot. Yet these partnerships in urban communities have not been tapped at anything resembling their potential. They have been very popular with community colleges already serving rapidly growing suburban areas where new business development and expansion are well underway. But fewer examples can be found of partnerships between major corporations and community colleges serving depressed inner-city neighbourhoods with less business vitality.

In today's tight labour market, our urban centres are among the few places where potential workers still outnumber available jobs; in fact our inner cities house hundreds of thousands of individuals who are still unemployed or under-employed. Enormous payoffs can be reaped from creative partnerships between companies willing to invest in the preparation of new workers and urban community colleges that have strong records of accomplishment in remediating basic skills and equipping students with technical and occupational proficiencies. Firms that have not examined the potential of these strategic alliances with urban community colleges are missing out on a very safe bet.

Work-based learning opportunities

Work study programmes, internships, and co-operative job slots can make an enormous difference in the attractiveness and quality of education for those who need income while working toward a degree. Imagine the positive signals that would emerge in a community where the area employers agreed to hire only those young people and adults who had, or were

actively pursuing, a community college degree or certification. Imagine as well a community college system where jobs (most community college students have jobs) are directly tied to education and used to develop and reinforce educational competencies.

LaGuardia Community College in Queens, New York, requires all candidates for an associate degree to spend at least one semester in a co-operative job or internship with participating employers. For many of the students, these work-based learning experiences not only provide them with income and an opportunity to apply classroom learning and develop new skills, they often lead directly to a permanent job with the employer upon completion of the degree programme. Employers, in turn, are able to recruit motivated new workers who are committed to further development of their skills.

The Community College of Philadelphia (CCP) has joined with the city's high schools, the Ogontz Avenue Revitalisation Corporation, several other non-profit organisations, and area manufacturers to create the Learning Enterprise Alliance (LEA). LEA consists of three educational centres working together in employer-driven education and training programmes that help young people develop technical skills for specific industry clusters. Inspired by the highly regarded Project Focus Hope in Detroit, the programme will begin with an effort to produce skilled workers for the precision manufacturing sector, where a critical shortage of skilled machinists threatens the competitiveness of several important employers. A 10-week Enterprise Prep School will bring students' basic mathematics, communication, and computer skills up to a basic level at which entry-level employment and further technical training become feasible. An Enterprise Technology Centre will then help shape specific, industry-recognised technical competencies that will lead to career job opportunities. Graduates of these programmes and other qualified workers can then move into the Enterprise University Centre where they can pursue degree work at associate, bachelor's, and master's levels.

Throughout LEA's three tiers, work assignments will form a critical element of the educational and training process. Community organisations assume the lead in recruiting students and providing support systems such as mentoring, counselling, financial aid, and daycare. CCP has the lead

role both in designing the programme of education and training and in ensuring that programme participants receive the academic and industry competencies that will promote career mobility and progress toward high-wage jobs. As it builds towards success in precision manufacturing, the programme will be expanded into other sectors of the regional economy.

Colleges building multi-firm co-operation

Community colleges also have the ability to knit together the discrete needs of small companies in pursuing joint solutions to common human resource problems. In Wisconsin, Madison Area Technical College has joined with other groups in the area to embark on an innovative programme to create community career ladders – business- and community-recognised career transition steps for workers. These steps are governed by groups of related employers with complementary occupational needs, facilitated by a system of accreditation for experience and skills, and supported by education and training institutions and public labour-market services. This strategy would create anew the job ladders that many larger employers once used and that provided a way for new, low-skilled job entrants to start near the bottom of the labour market and steadily work their way up to higher paying jobs that could support their families.

If successful, this strategy would enable a low-skilled worker in Madison to accept a low-wage job that represents not a dead end, but a start up the rungs of a career ladder supported by several firms. If these career ladders are supported by accrediting and training services, the firms at the first tier which employ people at lower wage jobs benefit from better recruitment opportunities, lower turnover, more committed employees, and help with training. Firms that can provide higher wage jobs in higher tiers would have both a system to guarantee the skills and job behaviours of their recruits and greater incentive to invest in developing the skills of these workers.

In today's decentralised, niche-oriented economy, many smaller, specialised firms cannot achieve appropriate economies of scale when training their workers. These small firms have been unsuccessful at finding similar and developing common solutions. Most firms, especially the smaller ones for

which time is the most precious asset and associative skills are the most underdeveloped, have been unable to find opportunities for collective action. Community colleges can act as a catalyst for brokering joint training programmes among regional firms with similar needs. Because they know and work with many of these firms individually, the colleges can pull them together to gain economies of scale and reduce the unit cost of training.

In San Francisco, City College (a two-year institution) has joined forces with the garment contractors association, San Francisco fashion industries, and the needle trades union to establish Garment 2000 – a consortium of apparel firms working together to modernise the industry. These firms have large numbers of employees from economically depressed communities throughout the San Francisco metropolitan area. Many are under intense pressure to move rapidly to higher value and higher quality production through deploying new technologies, adopting advanced business strategies (such as 'just-in-time' production systems), and building new relationships with retail outlets. Working with the firms, City College has developed a teaching factory to demonstrate new apparel technologies and business practices and to train workers and managers in their use. The college provides a central facility that has helped organise the firms to do together what they could not have done separately.

Sometimes community colleges form partnerships among themselves to work with business. In 1994 the Philadelphia Naval Base and Shipyards was faced with imminent closure, meaning the loss of 5,000 jobs held by long-term employees. No other big employers were ready to step into the gap, and a gigantic retraining effort was necessary to give the workers the chance for new jobs that they deserve. The community colleges of the region are trying to do just that. Community colleges in Philadelphia, Delaware County and Camden, New Jersey, have entered into an alliance with Drexel University to create a central education and training institution called Shipyard College. Backed by the city of Philadelphia, the National Science Foundation, the US Department of Defense, and the Philadelphia Private Industry Council, the college provides a framework for a shared educational system: common registration, tuition, and

accounting procedures; seamless transfer of credit among member colleges; articulation of courses on and off campus; shared resources and advisers; and very flexible, non-traditional class scheduling.

This strategy of working closely with area employers for customised training pays off in local support for the community colleges involved in such initiatives. Just a year ago, for example, Maricopa Community College, which serves the Phoenix metropolitan region, convinced county voters to approve a $385 million bond issue for a capital expansion programme that will increase the property taxes of the average home owner by $15 a year. The bond issue carried even in Sun City, the nation's largest retirement community, and even though voters turned down bond proposals for new freeways and mass transit. According to many observers, the critical element was the overwhelming support from the business community, which successfully made the case for investments in technical education and job training to support the region's growth.

Community colleges and public housing

Among the most exciting innovations in the past few years is HUD's Campus of Learners programme – a special partnership between community colleges and public housing authorities. This programme supports the reinvention of public housing, transforming it from a place where those too poor to afford independent housing are warehoused to a temporary community where families can live and learn while developing the skills for economic self-sufficiency. Each public housing complex can become a campus for learners, similar to the dormitories or family housing found on traditional college campuses. Families seeking to live in these communities would be subject to rigorous screening and high expectations for their commitment to work and learning. They would receive special help in developing work behaviours, skills, and educational competencies and would be expected to move on when they had attained their education and training objectives and found permanent housing.

This is not just a wishful vision of what public housing might be. In communities like Denver, Colorado, and Hartford, Connecticut, the vision is beginning to happen. The community college is at the core of this

transformation. In Denver, for example, North Lincoln, a fully rehabilitated townhouse community operated by the Denver Public Housing Authority, is located just across the street from the downtown campus that CCD shares with other institutions of higher education. CCD offers residents of the North Lincoln Campus of Learners full access to a wide range of basic skills development, including general equivalency diploma (GED) programmes, certified vocational training, and degree-oriented technical preparation and transfer programmes. In family learning centres scattered throughout the residential campus, adults and their children have access to computer literacy programmes and computer-supported training programmes. Assessment, counselling, and tutoring services are available. Case managers and administrators in North Lincoln are treated as adjunct faculty at CCD.

At Charter Oak Terrace, Hartford's largest public housing community, each prospective resident is asked to join a family self-sufficiency programme that establishes firm goals for training and education for each member of the family. Capital Community-Technical College, working in partnership with other area educational institutions, provides GED, basic skills, and job readiness training. Although the programme has been underway for less than a year, several residents have already taken and passed certificate programmes in such areas as lead and asbestos abatement and construction and have been placed in jobs.

Community colleges and K-12 education

Community colleges are rooted in the neighbourhoods they serve. This means that they have special knowledge about these communities and have formed relationships with other institutions that serve them. For example, almost all community colleges are familiar with the local secondary public school systems. College presidents have regular meetings with superintendents of the K-12 systems and their high school principals and guidance counsellors. In most of America's large cities this communication promises a far more seamless connection between high schools and community colleges with regard to career exploration and course offerings.

Some large urban community colleges actually operate high schools. In 1974 LaGuardia Community College created the first experimental high school within a community college, and its model has been widely replicated by other community colleges across the nation. Known as *middle colleges*, these schools are as different as the colleges that house and administer them. But unlike most of the university-administered high schools that serve especially gifted students, these middle schools usually cater for the at-risk students who would seem among the least likely to be on a college campus. In some of the harshest inner-city neighbourhoods of Chicago, New York, Boston, Dallas, Los Angeles, Memphis, Flint, Seattle, and several other cities, these middle colleges offer a second chance for youths who have not succeeded in conventional public high schools, and provide a demonstration seedbed for educational innovation.

In East Los Angeles, the community college has developed special after-school and weekend programmes for students from two high schools, two junior high schools, and an elementary school. The programmes have had an impressive effect on the mathematics, science, and communication skills of the youth involved in the programmes. Maricopa Community College, which serves the greater Phoenix metropolitan area, operates an alternative high school for youths who have already encountered the juvenile justice system, a vocational high school for youths with a special interest in technical careers, and a new charter high school that experiments with innovative approaches to public education. New articulation agreements in place with the traditional K-12 system mean that every high school student in Maricopa County will take at least one college-credit course before graduating.

Building coalitions with community organisations

Community colleges also have developed strong partnerships with community-based organisations that pursue business development, housing development, and job development programmes in severely distressed neighbourhoods. The Community College of Allegheny County in Pittsburgh provides office space and facilities to an employment training and job placement programme run by the Homewood-Brushton Revitalisation and Development Corporation. The community organisation

in turn bolsters the efforts of the college to recruit students from nearby neighbourhoods. In the West Oak Lane neighbourhood of Philadelphia, CCP established satellite teaching programmes at the Nia Centre. Those programmes help to anchor a multi-purpose community centre housed in what just a few years ago was a long-abandoned former school building, home only to junkies and crack dealers.

Urban community colleges face tough challenges

The examples cited above are good stories of innovative practices and creative solutions to urban problems. Many urban community colleges, however, have important shortcomings and all face serious challenges. When I talk to the chancellors and presidents most respected by their peers, they offer remarkably similar diagnoses. Urban community colleges need to:

- acquire more money and new ideas about how to increase it
- gain flexibility by specialising and by learning to collaborate with other specialised institutions
- find better strategies and tools to measure success
- do a much better job in counselling their students
- become even more deeply involved with businesses and economic development strategies
- work together to develop stronger leadership and improve executive management.

Money

For some community college leaders, the best strategy to deal with these shortcomings and challenges is to acquire more money. And, in fact, most do need more public support. Although they are eligible recipients of both the vocational and higher education acts, no federal legislation has ever been passed specifically for community colleges. Among the quick facts about community colleges summarised in the introduction to this essay is a reminder that while about 43% of undergraduates in the United States (about 30% of full-time students) are enrolled in community colleges, only about 19% of state funds and less than 10% of federal funds for higher

education go to community colleges. Students in urban community colleges are hardly homogeneous in ability, cultural outlook, or aspirations. They are often uninformed about career choices and unsophisticated about course and programme selections. Huge numbers of them are unprepared by their elementary and secondary education to do college-level work or to achieve the basic competencies expected by employers.

Remediation and counselling, integral parts of the community college's mission, are very costly.

Of course, community colleges are not supposed to be expensive, especially in comparison with research universities. If they become too expensive, high embedded costs will rob them of the flexibility that is the core of their competitive advantage. Still, their tasks are growing in scale and complexity, and an exploration of how – and how well – we finance them is necessary.

The mid- to late-1980s were a time of retrenchment for many community colleges, and state budget increases levelled off or, in some cases, actually declined. The relative economic prosperity of the past few years has loosened the purse strings only slightly. A few states, such as Missouri and North Carolina, have made sizeable increases in their support for community colleges, but most community colleges will have to learn how to do more with less while retaining their historic responsibility for being accessible and affordable. This means diversifying their revenue sources by expanding business partnerships and aggressively exploring corporate and private philanthropy.

It does not seem either feasible or desirable to expect that most younger students will pay an increasing share of the cost to attend a community college. In fact, some states at the high end of the tuition cost may find it necessary actually to reduce their fees. Massachusetts, whose fees rank highest among all states for community colleges, is considering a second year of tuition reduction. Conversely, working adults seeking to return to college for new job-related skills may be able to pay a higher share of the cost of these courses than they have in the past. This raises the possibility of community colleges adopting a sliding scale for tuition and fees, charging less to lower income students than to those who can afford to pay more.

Specialisation and collaboration

In the private sector of the economy, tough international competition, increased demand for customised and high quality products, and the growth of segmented or niche markets and rapid advances in flexible technology, all coupled with the imperative to keep costs down (all trends that would resonate with community college presidents), have led many firms to pursue a business strategy that includes specialisation and collaboration. These firms find they cannot be all things to all customers. They have to concentrate on improving their special competencies and then, when a wider scope of product or service is required, they must learn to collaborate with other specialising firms. Firms that can combine their complementary competencies can do very well in today's demanding markets. Other organisations have learned from these lessons. Even government agencies are reinventing themselves through specialisation and collaboration.

Unfortunately specialisation and collaboration are strategies that most urban community colleges find difficult to pursue. They face limits to flexibility and disincentives to specialisation, sometimes of their own making, but often imposed by state legislation or city regulations. Perversely, the absence of competition sometimes leads to a failure to co-operate. Some urban community colleges eschew competition with schools in adjoining regions and enter into agreements to stay out of each other's territory. A consequence can be that there is little incentive to specialise, and therefore little reason to co-operate with other training institutions.

Many community colleges have defined areas of expertise and are unable to deliver programmes outside that area. This means that these institutions are expected to meet all the needs from within their service area, but that they often do not see themselves as capable of specialising around a limited set of core competencies. They are frequently the only public post-secondary option for huge numbers of potential students and the only reasonably priced job-training source for small businesses. Unless the colleges are prepared to facilitate access to the specialised capability of other colleges for example, it is hard to inform a growing biotechnology cluster that the local community college has decided not to develop competencies in biotechnology training. It is even harder to tell students interested in a career in micro-electronics, for example, that this discipline is absent from the core specialities of the community college.

Yet the college that seeks to be all things for all customers may find that it serves all of them poorly. The challenge facing community colleges and their governments is to figure out how specialisation and collaboration can optimise their most important asset: their flexibility to respond with speed and agility to new problems and opportunities.

Measuring success and improving retention

Most community colleges have done no better than their four-year counterparts in developing hard data about student outcomes and successes. The real test of the community college impact is what happens to the earning power and employment opportunities of students who complete programmes of various duration and intensity. Unfortunately, few schools have developed the capability to assess these outcomes. That fact makes it difficult for community colleges to argue for increased public funding. It makes it almost impossible for any particular school to claim that it does a better job in a particular programme than any other school. The California legislature recently has required its community colleges to upgrade their student assessment effort by collecting and analysing data that can document student success. The institutions must give higher priority to evaluation and impact analysis based on student success.

Combined with the issue of student success is the matter of student retention. In all community colleges, but especially in large, urban ones, too many students leave before completing coherent programmes of study. Just as at every other level of schooling, the students report that they leave because they do not see enough connection between their studies and their objectives. The tie between retention and context-based learning needs to be developed further; students need to have a clear view of employment at the end of their course of study, and they need to see feasible and obtainable thresholds that assure them that they are on the right path. Anyone who has witnessed 40-year-old men and women taking biology and mathematics in preparation for a nursing programme cannot fail to be impressed with the commitment with which these students work together to help each other when a clear goal is visible.

Counselling and advising students

Community colleges have failed to counsel and advise their students, which should be expected of institutions serving populations of low-income youth, under-employed adults, ethnic minorities and immigrants. As noted above, many of these students have not had adequate preparation at the secondary level; many come from families with weak attachments to the world of work and underdeveloped connections to people and places where they might find good career advice. The two-year colleges that reach out to these students must more effectively help them understand their career choices and make the education and employment decisions that will support those choices.

Community colleges should be encouraged to take the lead in their areas to develop community-wide clearing houses for information about education, training and jobs. The common term for this is the *one-stop shop*, a single entry point for a business or individual who wants information about, or access to, education and training opportunities. But equally important, the college should serve as a clearing house for students to find jobs. Too many colleges have weak placement offices that devote more time to finding part-time work for students than finding full-time jobs for graduates. Compared with most universities, or even with high schools, student counselling and placement services are quite weak in most community colleges. The students themselves at many community colleges acknowledge their need for more help to make decisions about courses, programmes, careers and jobs.

Economic development

The potential of community colleges to provide aggressive leadership in urban economic development has not yet been fully explored. Most frequently, the role of the urban community college is seen as limited to the supply side of education and training strategies – helping prepare people for good jobs or for further post-secondary education at the baccalaureate level. However, strong evidence argues that community colleges can be powerful institutions for stimulating job growth by working on the demand side – helping entrepreneurs develop new business opportunities, helping existing businesses become competitive, serving as a hub for area firms to

develop collective solutions to common problems, helping those businesses develop human resource policies that are more favourable towards less-advantaged local residents, and connecting urban dwellers to growth and vitality in the regional economy.

Two-year colleges that want to make a bigger difference in stimulating business growth and job demand in the urban economy have to become players in private sector-based collaborations that pursue urban growth strategies. This means they need to work very hard across several dimensions to:

- understand the structure and performance of the regional economy and the inner-city sub-economies
- identify key business clusters whose strengthened performance will drive the regional economy and improve conditions in the inner city
- help firms find ways to support collective action
- provide services to firms in these business clusters that will contribute to their business success, produce trusting relationships, and influence human resource strategies.

Leadership

When individuals most knowledgeable about urban community colleges are asked what single factor is most responsible for the fact that one college succeeds while another declines, they almost invariably respond that it is leadership. The personal qualities of the chancellor or president and the continuity and commitment of governing boards seem to be the most important attributes of this leadership. Over time, the quality of faculty and staff is directly related to the strength and consistency of community college leadership.

These are enormously responsible positions. Several urban community college chancellors run enterprises that educate more than 100,000 credit-seeking students annually and serve far more with non-credit programmes on campus and in offices and factories. These large urban systems have several hundred faculty members and many employ more than 1,000 people. They have huge physical plants and millions of dollars worth of

equipment and educational technology. The positions of chancellor and president demand managerial skills, strong vision, intellectual clout, and charismatic leadership.

Keep in mind that the administrative leadership and governance of community colleges is sharply different from that of four-year colleges and universities. The formal authority of the community college rests in appointed or publicly elected boards that are seen almost as politicians and are held accountable to the individual needs of specific communities. In addition, community college leaders are less rooted in academic traditions and more likely to have skills similar to those of other urban administrators.

To their credit, community colleges have recognised the importance of leadership and responded with several professional development and leadership institutes. They have initiated special efforts to develop leadership skills in women and ethnic minorities, and it is paying off. The racial and gender diversities of community college chancellors, presidents, and high ranking staff are strikingly wider than those of similar officials in four-year institutions and most other public organisations (to say nothing of private enterprise).

A national coalition of two-year colleges serves the nation's major urban centres. Twenty-one urban college systems have created Renewal and Change 2000 (RC 2000), a group that grew out of an Urban Colleges Commission created in 1994 by the American Association of Community Colleges. RC 2000 is a forum for presidents and chancellors to meet twice a year for discussion and joint consideration of the special challenges and opportunities that face major urban institutions.

Helping community colleges convert best practices into common practice

What are the strategies that will help urban community colleges overcome these barriers to greater achievement? How can they convert the best practices programmes and strategies of some colleges – many of which I have mentioned in this essay – into common practice in all the colleges? Although many colleges are making significant contributions to their local economies, too many innovative approaches are too new and small in scale to achieve their promise. What can we do to support and encourage improvement? Again, strong, knowledgeable administrators have reached a consensus.

Moving shadow colleges out of the shadows

At the same time that the status of the associate degree is rising among employers, demand for non-credit skill upgrading, technical consulting and special services is increasing. If colleges are to respond quickly to industry, they cannot be hamstrung by bureaucratic red tape or administrative regulation. The most innovative non-credit programmes are organised either at the periphery or just outside the traditional college, sometimes even as separate, non-profit entities. These entities are sometimes called *shadow colleges* to signify their distinctive nature. Most community colleges have organised business and industry services programmes outside the framework of the more traditional institutions.

These programmes have grown up in the shadow of the formal institutions because many of the colleges themselves are subject to funding formulas, programme and course approval procedures, labour agreements, and other requirements that deny the flexibility and agility necessary to respond quickly to the needs of firms and their employees. If, as I have argued here, flexibility is the most important asset of the community college, it is time to take a hard look at these restrictions.

Expand technology use

The growing applications of telecommunications and information processing technologies have already made major changes to the ways in which community colleges work. But compared to the technological changes that will occur during the next several years, these recent developments are still modest. To date, the major application of these technologies has been in distance learning, a subject of perhaps greater relevance to rural community colleges facing huge problems of geographic dispersion than to urban institutions whose market is more concentrated. But the newer applications of this technology are focussing around *asynchronous learning*.

Whereas traditional distance learning courses overcome physical distance by offering students classes away from campus, asynchronous learning overcomes both distance and time hurdles. It makes feasible the creation of a course structure that allows students in different locations to receive instruction at different times – so-called 'anywhere, anytime' education. Combining interactive, computer-based hardware (such as CD-ROMs and Internet servers) with advanced software, workers 'attend' classes when and where their schedules allow. Electronic mail and news groups facilitate the creation of 'classrooms' where students can communicate with each other and their instructors, eliminating the isolation and passivity usually associated with computer distance learning. Community colleges will need help to master this technology.

Target clusters

Because community colleges are basic building blocks in local production systems, their curricula ought to reflect the needs of those systems. That means colleges ought to acknowledge and support regionally important clusters by ensuring a steady stream of skilled and motivated entry-level workers and providing skill upgrading and specialised technical services. Macomb and Wayne State Community Colleges in southeastern Michigan serve the automobile industry and have developed strong specialised competencies that reflect the special needs of that industry. Foothill-DeAnza Community College in Silicon Valley provides micro-electronics engineers

and specialised technological services that the computer industry needs. The Miami–Dade County community college system has encouraged its colleges to specialise around the needs of the several occupational clusters important to the regional economy. This is not to suggest that colleges should seek to serve only the dominant industries in their region. However, if they are not adept at anticipating and meeting the needs of those firms most important to the growth and vitality of their regional economy, they will not be able to develop the capacity to serve the needs of others.

Forge alliances

Successful urban community colleges have formed a variety of alliances with other colleges, universities, and community organisations to rationalise and co-ordinate their programmes and services for the students and businesses they serve. Milwaukee Area Technical College helped establish a teaching factory called Riverworks through formal working relationships with three community development centres and a group of businesses.

The community college is only one of a multitude of public and private providers of education and training. Many job-training programmes offered by vocational centres, proprietary schools, and community-based organisations often duplicate or overlap community college programmes. A recent General Accounting Office report identified 163 distinct federal programmes alone that support education and job training (US General Accounting Office, 1995). This confuses those people seeking training and supports accusations of waste. Partnering with these other programmes might mean relying on some of their special competencies while the college gradually evolves from being a vertically integrated producer of all education and training services to being a specialised broker of some services.

Balance occupational and academic studies

To respond to the continuing criticism that occupational programmes are too narrow in scope and neglect the full education of the student, community colleges ought to integrate vocational studies with liberal arts better. This can be done efficiently and effectively by designing liberal arts

courses within the context of a technical topic or by combining both technical and general courses into integrated curriculum clusters. For example, San Diego Community College uses clusters called City Blocks. One such cluster, on the history of technology in the workplace, combines history, English, and computer information science.

I noted earlier in this essay that community colleges have developed associate of arts or science degrees chiefly around the expectations of four-year institutions, and Associate of Applied Science degrees and certificates chiefly around the expectations of employers. But many critics are beginning to question this fundamental division, wondering whether there is as much real difference here as some would suggest. Perhaps the skills needed to be successful in the kinds of careers for which community colleges are especially good are not that much different from those needed in careers that historically have required a bachelor's or advanced degree. In any case, few will deny that as the concept of lifelong learning takes further hold, the need to balance academic and vocational instruction gains importance. I believe this is especially significant for community colleges in America's big cities, where many people depend on the affordability and accessibility of community colleges, and where such wide diversity of needs and interests can be found.

Keep taking risks

One of the things I have learned from the administrators of urban community colleges is that no one programme has everything right. Urban community colleges face huge challenges, and none of us knows the solutions to all of them. Some of the lessons beginning to emerge that might make a difference have evolved out of the willingness of some institutions to take risks. Community colleges must continue to be institutions that nurture risk takers. We cannot let a drive toward accountability reduce the willingness of urban community colleges to continue to experiment and take these risks.

Conclusion

I have argued here that urban community colleges hold the potential to help surmount the challenges of poverty and joblessness that sap the vitality and further economically depress neighbourhoods in many of America's big cities. I have offered several examples of how, at their best, these flexible, affordable and accessible two-year colleges are making a huge difference, by giving people the skills and the aspirations for economic success and by helping businesses improve their ability to compete. I have suggested a few strategies that might help more urban community colleges achieve the best practices of a few.

I think the federal government could do more to help, but the federal role must be one that peripherally supports community colleges. Cabinet departments can rethink programmes of education aid and job training – such as the public housing programmes and Empowerment and Enterprise Zones at HUD – that might be failing to leverage the capacity of community colleges. Federal agencies can support demonstrations and pilot projects. President Clinton and other federal officials can continue to use their voices to sharpen public awareness and increase the visibility of community colleges.

In addition, President Clinton has proposed a series of important initiatives aimed at making post-secondary and continuing education more affordable for youth and adults. The Hope Scholarship Plan would provide a $1,500 tax credit for students in their first two years of post-secondary education. In addition, the President has suggested that all taxpayers receive a deduction for the cost of college education up to $10,000, and has recommended both an expansion of federal aid for work-study programmes and a major commitment to greater technological literacy for America's schoolchildren. If these proposals gain congressional support, they will have important beneficial impacts on community colleges.

Most of the responsibility for strengthening urban community colleges lies in the state capitols and the cities that fund and govern these institutions, and with the business community whose access to skilled workers and technical support significantly depends on large, urban-based community colleges. I am especially intrigued by the possibilities for more and stronger

partnerships between urban colleges and groups of employers. I believe in the power of employment to attract low-skilled people from economically depressed urban neighbourhoods into education and training programmes where they can begin to develop their economic potential. Urban community colleges represent our best hope for reaching that goal.

Notes

1 The US Department of Housing and Urban Development wishes to acknowledge the contributions of Barry Bosworth and Stu Rosenfeld of Regional Technology Strategies, Inc, for making this essay possible.

The term *community college* is used here to represent all post-secondary institutions – including junior colleges, technical colleges, technical institutes, and technical branches of universities – that offer as their highest degrees sub-baccalaureate certificates and associate degrees.

2 The National Center for Education Statistics conducted the National Household Education Survey with an adult education component in 1991 and 1995 and plans to do so again in 1999. The 1995 survey interviewed nearly 20,000 people aged 16 and older about their participation in adult education. Information about the survey is available through the National University Continuing Education Association in Washington, DC.

3 For a summary of this criticism, see Robert Pedersen's 'Challenges Facing the Urban Community College: A Literature Review', in *A Handbook of Community Colleges in America* (American Association of Community Colleges, 1992).

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Competence-based approaches to economic development and partnership

Chapter 5

Derrick Johnstone

- How can we ensure that our partnerships deliver what we want and what our partners want?
- Do we have the capacity to deliver what these partnerships require?
- How can we increase our impact and influence?
- What do we need to do to improve our track record in bidding for resources and managing partnership projects?
- What do college staff need to know to be effective when working on economic development projects and partnerships?

Towards learning partnerships for economic development

Questions such as these may well be in readers' minds when reflecting on the value of partnership working and on college roles in economic development. 'Partnership' is often an ill-used word, with little genuine collaboration to back up the rhetoric. Indeed, participants in many partnerships may feel that – rather than adding value, achieving more than would otherwise be possible – they detract value, waste time, diffuse energy and make

little difference. On the other hand, partnership is needed to achieve more than individual organisations can on their own, to access funding, and to develop new and more effective ways of doing things.

Successful partnership depends, among other things, on shared vision and objectives, mutual understanding, trust and professional competence. Trust itself is a function of credibility and competence: whether partners do what they promise and do it well. There is an art to management in a partnership setting: it demands skills in leadership, consultation and negotiation, and common standards and language if partners are to build on existing activity. Successful implementation of partnership projects and programmes demands the technical skills and knowledge necessary to design and deliver effective interventions.

This chapter:

- highlights critical skills, knowledge and competence required among FE college staff for effective contributions to economic development
- explains occupational standards for economic development and their relevance in assisting colleges develop these capabilities
- introduces a learning needs analysis tool for college staff involved in economic development
- explores specific needs in relation to partnership working and bidding/project and programme management
- considers ways of addressing learning needs in relation to economic development.

It draws on substantial experience in reviewing roles and competencies of people working as 'practitioners' in the economic development field – a field that brings together people from a great range of backgrounds and organisations. While the main focus of the research has been on staff employed in organisations dedicated to economic development, such as local authority economic development units, Training and Enterprise Councils and regeneration partnerships, much is relevant to the wide range of other bodies – including FE colleges – that play key roles in promoting economic opportunities for individuals, businesses and geographic areas.

The analysis of skills and knowledge was developed through a series of occupational standards projects for the Department for Education and Employment (DfEE), the Department of Trade and Industry and the Convention of Scottish Local Authorities. The projects were driven, not by a requirement to create a national or Scottish vocational qualification (N/SVQ) qualifications framework, but rather by an awareness of the organisational benefits of occupational standards when applied, for example, to training needs analysis, training design, recruitment, appraisal and team building.

Further projects have tested the standards in pioneering new applications, both within individual organisations and in partnership settings[1]. These projects have included reviews of the Somerset Economic Partnership[2] (SEP) and the Kent Partners Skills Programme[3]. The Somerset Economic Partnership review took stock of partner views and aspirations for the partnership and re-established partner commitment to a strategic framework and action plan. The standards were used to help review partner roles and responsibilities and identify strengths and weaknesses in partner capabilities. Under the auspices of SEP, the Somerset FE colleges have developed plans for HE access and provision which facilitates collaboration as a forum independent of any particular interest.

The Kent Partners Skills Programme grew from work on the Kent Prospects economic development and Kent Learning strategies. The lead partners (Kent TEC and Kent County Council) recognised that the skills, knowledge and competence within partner organisations – and how well they work together – are strategic priorities in their own right. This led to a series of initiatives to identify development needs, to design and deliver training and to facilitate partnership working – all intended to advance the Kent Prospects/Kent Learning agendas and provide opportunities for personal learning and networking. In particular, training in partnership development and tools to help manage change in partnerships have been developed, with the approach translated to the needs of individual partnerships, new or existing. Colleges have been actively involved, for example, when provider partnerships for the New Deal for Young People were formed, using some of the methods developed by the Skills Programme.

The Partners Skills Programme is, in effect, promoting the concept of a Learning Partnership (analogous to that of a Learning Organisation), attempting to create the conditions across partner organisations for effective collaboration and learning. Competence standards are being used to underpin the programme, applied to needs analysis, training design and evaluation, and introduced in ways that help build a common language of performance.

These various projects offer tried and tested materials, lessons and approaches on which colleges can build to meet their own particular needs. In particular, this chapter introduces a learning needs analysis tool, adapted for use by colleges.

New dimensions to college skill and knowledge needs?

James and Clark in *Investing partners: further education, economic development and regional policy*[4] bring out the scale and varied dimensions of FE roles in economic development. They group these as *stakeholder* (colleges as economic entities in their own right: employers, purchasers, investors, etc); *service provider* (delivering educational, training and related services to individuals and employers); and *strategic partner* (as leaders or contributors to local or regional economic development strategies or initiatives).

Making a successful contribution in these stakeholder, service provider and strategic partner roles can demand new or different skills or ways of doing things. For example:

Stakeholder

- as employers, opening up job opportunities to disadvantaged jobseekers
- as corporate citizens, sponsoring regeneration initiatives
- as property owners, identifying ways in which the college can secure a better use of its assets, while contributing to economic development objectives.

Service provider

- collaborative project development with other colleges, other public sector partners, larger companies on supply chain initiatives, etc.
- new ways of consulting and involving 'customers' (trainees and employers) in service development
- wider networking to help identify opportunities and benefit from collaboration
- improving market intelligence
- developing college marketing strategies based on market niches.

Strategic partner

- working with others to develop strategies with clout: where partners share in developing vision and strategy and make serious commitments to achieving partnership objectives.

In considering what 'economic development' means for a college, it is worth drawing the distinction between FE (in the stakeholder and service provider roles) contributing to the process of economic development of an area/region, and FE as having the (organisational and policy) field of economic development as part of its business marketplace. In the strategic context its 'customers' are to be found among government departments, European Commission, TECs, local authorities, etc. The most successful colleges will be those that understand these two dimensions and how the college can use its contribution as an economic development agent to gain business, and use that business to increase its impact on the local economy. Thus critical knowledge requirements include awareness of wider regional development, competitiveness and regeneration policies and programmes, how vocational training and related services reinforce local economic strategies, and the roles and contributions of other players.

Many colleges have actively encouraged the development of partner relationships as part of an outward-looking organisational culture. Some have concentrated primarily on relationships with other education interests, while others have taken a broader approach. Still others have tended to react to outside events and rely on existing contacts and custom.

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But no matter what their tradition, for all colleges, partnership has become more essential to bidding for and delivery of agreed programmes (e.g. under EU or regeneration programmes). Over the past few years, such programmes have brought colleges to the table with new partners such as TECs, local community partnerships and employers in emerging sectors in the economy. And, to varying degrees, the potential of partnership has come to be more valued in terms of what it can deliver, through better use of resources, achievement of critical mass in providing more specialised services and training, and so forth.

As college participation in partnerships is extended, the range of FE staff involved is increasing. In many colleges, departments and units have to prepare their own business plans and justify proposals for new course and service development, requiring evidence of demand and support from partners. This may place staff in unfamiliar roles. Indeed, some lecturing staff involved in partnership projects featured in FEDA's *Beyond responsiveness*[5] have reported 'culture shock' in moving from structured, curriculum-based activities. This is part of what *Investing partners* refers to as a 'shift in the ethos of FE' towards 'excellence in ... business development, research and development, and infrastructure management'.

Recent developments in government policy further emphasise the need for partnership working to promote lifelong learning and ensure a better match between skills supply and demand. *The Learning Age* green paper expects 'sensible local planning' and 'every community to develop its education potential, involving all types of learning institutions'. As we move into a new phase of the European Structural Funds, there is an expectation of 'broader and deeper partnerships'. These will be a key to accessing funding, all the more important given the reduction in what is available in Britain as a result of the enlargement of the European Union. And, as with UK government programmes, there is a shift to include performance-related funding.

In the economic development field, the most significant current event is the creation of Regional Development Agencies . RDAs are expected to draw up regional development strategies, with explicit requirements to:

- help tackle skill shortages and identify future skill needs
- engage further and higher education in the regional economic development agenda

- ensure that regional and labour market trends influence decisions about training and careers
- design inward investment packages, including support for learning.

As the education sector will have only one representative on each RDA board, the quality of FE's relationships with other regional interests will be critical. Each RDA is to have a skill development fund, which will be used to analyse regional skill shortages and fund appropriate solutions. The government intends RDAs to use the fund to engage further and higher education in economic development and improve co-operation between these sectors, TECs and other partners. This will complement the Further Education Collaboration Fund, which seeks to promote collaboration to achieve better use of resources through mergers and rationalisation and to improve responsiveness to skill needs.

Drawing on standards for economic development

The development of draft standards for economic development provides an opportunity for FE colleges. The standards can be used to reflect on the roles and competencies required of college staff involved in economic development partnerships and projects, and to help them to plan how best to develop their skills and knowledge.

The standards have been developed to provide a framework for raising skills and performance in the economic development field, offering a common language across partner organisations, such as:

- local authorities
- public/private partnerships
- regeneration initiatives
- further and higher education institutions
- TECs
- community and voluntary organisations
- European policy and programme teams
- central government departments and Government Offices for the Regions
- enterprise agencies and other business support agencies.

In the past, these 'sectors' have tended to look inward when addressing training and quality issues, conscious of their differences rather than the performance requirements and learning needs they have in common.

At the heart of the occupational standards model is a way of thinking about managing performance and developing professional capabilities. *Occupational standards define what is required of teams and individuals for all-round competence* (see figure 1). They focus on what people are expected to achieve in essential parts of their job. They are concerned not just with what you know, but with what you do with it and how well you work with others to get things done. And they provide a consistent means for assessing performance and identifying what people need to learn.

For example, for effective performance an individual acting as project manager for a sectoral supply chain initiative is likely to need a blend which might include:

- relationship and consensus building skills
- strategy and project development expertise
- sector knowledge
- understanding of the interests and motivations of key players
- an eye for opportunities.

Linking with strategy

Occupational standards are derived by analysing all the roles and functions that organisations and partnerships need to undertake if they are to achieve their goals and objectives.

As a result, they provide a rigorous basis for reviewing and allocating roles and responsibilities within any team, organisation or partnership.

Figure 1 All-round competence diagram

Developed with practitioners

The draft framework was produced in consultation with representatives of key organisations and practitioners themselves. It both reflects how performance requirements have developed in recent years and anticipates future needs. Each standard embodies good practice and provides a tool for benchmarking – not only for reviewing current practices but also for reflecting on the implications of changing circumstances and the emergence of new, more effective techniques. Within the framework there is a strong emphasis on requirements which relate to partnership working.

What ground do the economic development standards cover?

The standards are grouped in four broad work roles (see figure 2):

- strategy development and strategic management
- project and service development, research, evaluation, etc.
- operational management
- service delivery.

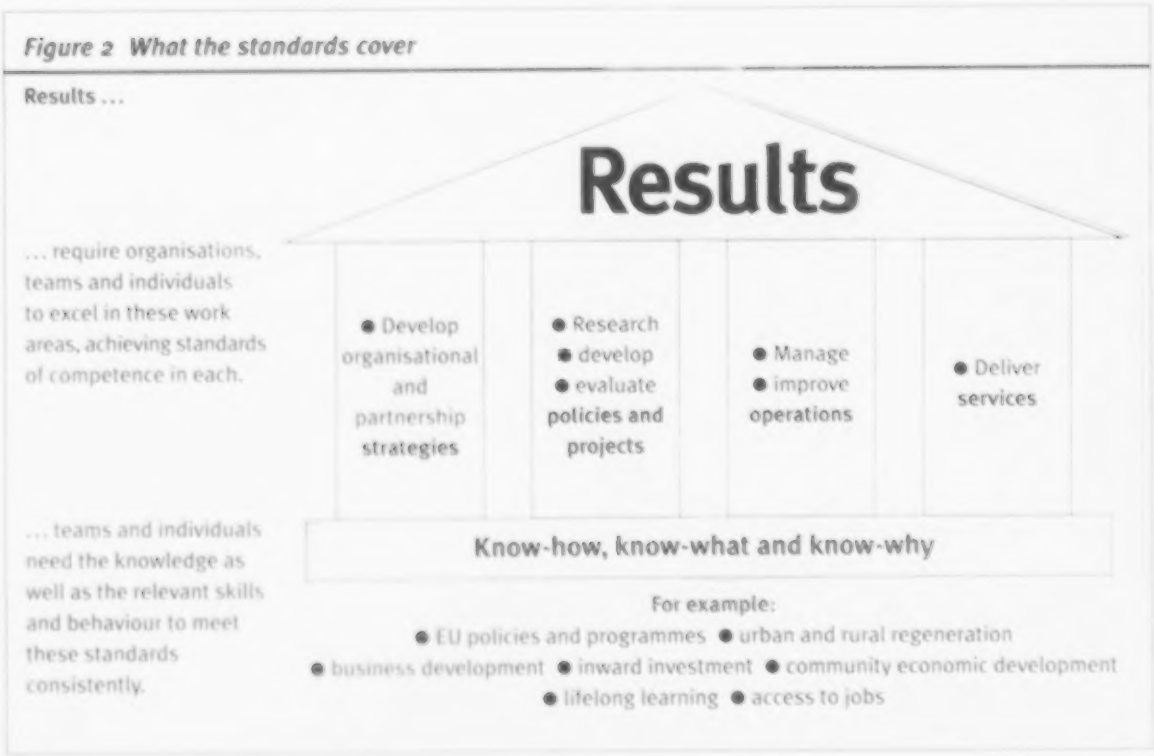
Grouping them involved:

- a review of 'what do we need to be able to do to perform effectively?'
- breaking down the broad roles into chunks or units of activity
- creating performance standards which can be assessed.

The standards thus have fairly wide relevance to colleges as organisations, pulling together a range of job functions and not simply limited to a narrow definition of economic development.

The framework links, where relevant, with occupational standards found in existing NVQs (such as Management Standards produced by the Management Charter Initiative) and professional bodies, with further standards developed to meet the particular requirements of economic development work. Considerable attention has been paid to defining the underpinning knowledge and skills that people need to work effectively in this field.

Figure 2 What the standards cover


Results ...
Results
... require organisations, teams and individuals to excel in these work areas, achieving standards of competence in each.
● Develop organisational and partnership strategies
● Research ● develop ● evaluate policies and projects
● Manage ● improve operations
● Deliver services
... teams and individuals need the knowledge as well as the relevant skills and behaviour to meet these standards consistently.
Know-how, know-what and know-why
For example:
● EU policies and programmes ● urban and rural regeneration
● business development ● inward investment ● community economic development
● lifelong learning ● access to jobs

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Standards and managing change

Occupational standards can act as a building block for managing change and continuously seeking to improve performance, and are capable of adaptation to the needs of individual organisations. They help integrate and strengthen approaches to recruitment, training and appraisal, and contribute to achievement of organisational quality standards such as Investors in People, the Business Excellence Model and ISO 9000. They can be thought of as quality standards for people – not just organisations.

Potential applications of standards include:

- partnership/team building
- organisational review
- defining jobs
- training needs analysis
- appraisal
- continuing professional development
- recruitment, selection and induction
- training design and evaluation
- benchmarking
- setting internal and supplier quality standards.

Standards, training and qualifications

Occupational standards are used most commonly in training activities and form the basis of N/SVQs. As such, they conform to a national model designed for consistent, objective assessment.[6]

They provide a sound, work-based method of *identifying team and individual development needs and designing training* and other forms of learning. They offer flexible routes to attaining qualifications, recognising capabilities developed through previous experience and training. They can also be tailored to meet the distinct needs of different types and sizes of organisation – public or voluntary/community sectors or partnerships.

Identifying learning needs for economic development

Two versions of a learning needs analysis tool have been prepared for use by colleges, following a FEDA initiative.

The full competence-based version sets out the range of occupational standards relevant to college staff engaged in the various roles identified in *Investing partners*. It is intended to help you (individually, in a team or for staff review):

- take a fresh look at what is critical to successful performance in project development and partnership roles
- clarify learning needs, individually or as members of project teams
- work business objectives through to job requirements
- plan how best to develop skills, knowledge and competence relevant to economic development activities.

The full version sets out essential roles in project development, strategy and partnership, covering:

- developing strategy
- developing projects, initiatives and services
- building and sustaining partnership
- promoting projects, initiatives and services to target audiences
- initiating and managing change
- securing and managing resources
- quality, monitoring and evaluation.

No one individual will have to perform all the roles. Parts will, however, be relevant to significant numbers of staff where they are responsible for, or contribute in some way towards economic development projects and partnerships. They may include senior managers, heads of department, lecturers, administrators, technical staff and others.

The tool is for use on two levels, either as a freestanding checklist or as a device for in-depth review and development planning. In the latter form, users consider their core competence requirements and likely future developments, and make use of the detail of the occupational standards to ask searching questions of themselves and colleagues.

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- which performance criteria do I meet?
- what evidence of this do I have?
- should I seek the views of others? colleagues? clients? partners?
- does the content of the standard help to highlight where I am likely to face new demands?
- do I bring to the job the skills and knowledge which allow me to deal with unexpected demands, and to produce creative solutions?

The appendix on page 96 provides an extract from the tool. Copies of the full version are available from FEDA.

Learning needs checklist

Figure 3 (pages 88–89) provides an abbreviated version of the learning needs analysis tool, which summarises the main job roles relevant to college involvement in economic development partnerships and projects. Given its focus on the outcomes of what people do, it is designed also to raise performance issues, e.g., where the need is to devote more resources (say, to marketing or evaluation) rather than to address a particular skills or knowledge need.

The pro forma asks you to consider:

- who needs to perform the particular role or activity
- the scale of importance of the role/activity relative to what needs to be achieved
- whether it is something that needs to be done more or better
- how best to address the performance or learning need identified.

Priorities will emerge where there is a match between "importance" and "do better".

One of the advantages of this kind of format is that it enables people to see where they fit in, and how they contribute to the whole (be it the whole of an organisation or a partnership).

When used by the Somerset Economic Partnership and Kent Partners Skills Programme, this form of tool has prompted partners to tackle critical unresolved issues and unaddressed tasks such as:

- creating a shared vision across partner organisations: a vision which is owned not just by senior decision-makers but throughout the organisation
- setting performance measures for the partnership: how we will judge our success, qualitatively as well as quantitatively
- improving communications within and between partner organisations, and with the wider community.

Training needs identified have included:

- managing relationships with stakeholders, including consultations
- joint business planning and bidding
- managing partnership projects (notably team building and political/influencing skills)
- evaluation.

Figure 3 FE colleges and economic development projects and partnerships: identifying learning needs

What do people need to be able to do?	Who needs to do this?	Importance to the task critical? relevant? not important	Performance needs do more? do better?
Developing strategy ● reviewing the environment opportunities, threats, policy changes, etc ● formulating objectives and strategies ● devising success measures and criteria			
Project/initiative/service design ● researching needs and opportunities ● involving customers/beneficiaries ● determining specifications ● project/initiative/service design ● testing plans/proposals			
Partnership and consultation ● managing relationships ● assessing partner/stakeholder interests ● influencing partners/stakeholders ● establishing/developing partnerships ● managing consultation			
Project and service marketing ● identifying target clients/beneficiaries ● promoting projects and programmes ● developing and reviewing marketing plans			
Managing change ● negotiating and agreeing changes ● implementing and evaluating changes			

Securing resources ● identifying relevant sources ● generating support ● presenting the case ● preparing business plans ● negotiating			
Monitoring and evaluation ● specifying objectives, standards, targets and measures ● recording, retrieving and analysing information ● assessing effectiveness ● diagnosing and solving problems			
Managing teams ● recruiting team members ● planning and allocating work ● leading/facilitating meetings and events ● developing and improving team performance ● providing feedback			
Managing resources ● costing and budgeting ● budget management ● project planning and monitoring			
Assessing opportunities for economic development use of property assets ● assessing use/development options ● investigating demand			
Managing suppliers (delivery agents, consultants, researchers, etc) ● contract specification ● contract management			
Contributing to wider economic development strategy ● providing feedback and intelligence			

Partnership skills

Changes in policy and the marketplace have placed many colleges in what they feel is a discomfiting situation where they are very conscious of the need to compete and collaborate (with other colleges, with commercial training providers, with TECs, etc) at the same time. This has resulted in confusion among college managers about how to play particular opportunities and situations. One of the most pressing needs for some – and, equally, for their actual and potential collaborators – is to be sure of their ground: how they want the college to develop and what they want to gain from partnership.

Many 'partnerships' get a bad name because they appear meaningless, little more than a talking shop, an assembly of differing interests, not a team. In these circumstances, no common vision drives the partners and partner distrust is the norm. College representatives can hold the key, however, to moving partnerships on, when they possess the necessary skills and independence. For instance, one college played a critical role in creating a co-operative climate for the Kent New Deal Provider Partnership. Its senior representative argued the case for collaboration and demonstrated the college's commitment by offering to share training and induction materials with other providers.

Critical competencies for college staff relevant to making the most of partnership include:

Partnership building

- building common interest and common vision, clarifying the difference that partnership is intended to make
- helping all partners secure mutual advantage ('win–win' outcomes)
- creative approaches to team work around problems and opportunities
- influencing skills
- promoting the current and potential college contribution
- understanding what motivates and constrains partners ('getting into their shoes')
- comfort working across institutional boundaries

- managing communications to ensure stakeholder involvement and awareness – while avoiding information and meetings overload.

Technical skills and knowledge

- market and policy intelligence
- making sense of the 'patchwork quilt' of organisational roles, contributions, strategies
- ability to spot opportunities
- 'product knowledge': what the college offers
- subject knowledge of economic development and lifelong learning (especially how all the bits fit together)
- 'interpretation' skills: understanding the language of government policies and programmes (including Eurospeak), the jargon of related professional domains, and an ability to translate these into simple terms for others to comprehend.

In essence, these requirements are the same as those needed across the range of activities and policies covered by *The Learning Age* green paper. The demands of piecing together all the bits are quite significant – as indicated by the complex institutional and policy environment for colleges depicted in *Furthering local economies*.

Bidding and project management

Similarly, the requirements for success in bidding and project management in relation to economic development projects are similar to those, for example, on Further Education Collaboration Fund projects, with the added demand of the wider subject knowledge base.

Skills and knowledge needs include:

- early awareness of emerging opportunities
- understanding of how potential projects fit with college/partner strategies
- project team building
- project development and planning

- preparing the business case (justifying proposals with evidence of need, partner commitment, etc – and setting out the benefits relative to costs and risks)
- bid writing
- project management – where the project manager has limited direct control over what the project partners do.

It is crucial, in a situation where funders seek track records of successful *delivery*, that college staff (with partners) focus on what is needed to achieve this, and do not simply pride themselves on success in *bidding* alone. Monitoring and evaluation are other important considerations, as government European programmes shift further towards funding of outputs and outcomes.

Addressing learning needs for economic development

Many of the learning needs which flow from these job requirements can be met in work-related ways. There is a fragmented marketplace for off-the-job training for people working in local and regional economic development. Much of the training takes the form of professional updating courses.

The Kent Partners Skills Programme has developed a series of initiatives addressing the needs of practitioners directly; building training activities around performance issues and ensuring that there are educational components. They have recognised the need to build common understanding as one of the prerequisites of more effective partnership, so are seeking to promote joint project working and joint training and are supporting the national organisation Common Purpose in developing its role in Kent. Common Purpose brings together current and likely community leaders from the private, public and voluntary sectors to explore common issues, cross-cultural divides and build relationships for the future. Finally, in Kent, a partnership development service is offered to help partnerships resolve internal issues and progress to higher levels of effectiveness. Colleges could play a role in developing these kinds of activities in their own areas.

One conclusion, from experience in Kent, Somerset and other areas, is that too much attention can be given to the mechanics of partnership (the structure of the board, how activities are branded, and so forth), and not enough to creating conditions in which collaboration, learning and innovation flourish. It is important that college managers consider the results of their actions – how they may help or hinder partnership – through how they model good practice, and how they develop a supportive culture in their own college. While partnership should never be seen as an end in itself, there is often potential for colleges and their partners to gain much more from collaboration on economic development projects and strategies than is currently realised.

Notes

1 Available from PROLOG, DfEE Publications, PO Box 5050, Sudbury, Suffolk CO10 6ZQ

2 **Developing the Somerset Economic Partnership**. Project report available from Somerset Economic Partnership.

3 **Developing Capacity for Economic Development**. Full report available from Solihin Garrard Associates, 18 St Augustine's Road, Canterbury CT1 1XR.

4 James, S and Clark, G (1997) **Investing partners: further education, economic development and regional policy**. FEDA Report, vol 2 no 2. FEDA

5 Hughes, M and Kypri, P (1998) **Beyond responsiveness: promoting good practice in economic development**. FE Matters, vol 2, no 5. FEDA

6 At the time of writing, the potential demand for N/SVQs for economic development and for European Officers is under investigation.

7 Kypri, P and Clark, G (1997) **Furthering local economies**. Viewpoint no 3. FEDA

Appendix

Extract from the colleges and economic development learning needs analysis tool

An appendix sets out skill and knowledge requirements, e.g.:

Developing strategy

Knowledge: principles, methods, techniques to:

- identify scope to influence economic, social and political factors
- assess wider implications of proposals for business growth, quality of life and prospects for individuals
- generate and assess strategy options
- establish, define and review objectives and performance measures

Knowledge: information

- competitive advantages of areas and business
- processes of economic development
- rationale for economic interventions
- components of integrated economic development strategies and synergy between them
- political and policy processes (local, regional, national, European Union)
- range of organisations engaged in/influencing economic development of the area (remit and responsibilities, powers, resources, constraints, programmes and services)

Skills

- strategic analysis
- interpretation of events
- political awareness
- influencing
- networking
- presentation

Partnership and consultation

Knowledge: principles, methods, techniques to:

- engage interest of target businesses/individuals/communities/ funding bodies
- build shared vision/engender ownership of ideas and proposals
- undertake formal and informal consultations
- assess costs, benefits and risks of collaboration and competition
- identify and assess stakeholders' interests and capacity to help and hinder
- assess likely implications of particular actions on stakeholders
- manage stakeholder expectations
- manage conflict

Knowledge: information

- existing and potential partners, competitors, funding bodies and other categories of stakeholder
- needs, concerns, motivations of partners, competitors and stakeholders
- group behaviour
- nature of strengths and weaknesses of partners and competitors
- nature of partner/stakeholder power and influence (resources, expertise, networks)
- sources of influence over partners and stakeholders

Skills

- team building
- communications
- influencing others

Chapter 6

Is networking always the answer?

Joan Fitzgerald

This article examines how community colleges can become more proactive partners in local economic development. It focuses on how networking can help community colleges in building their capacity in this relatively new area of intervention. Three US community colleges that are members of such a network – the Consortium for Manufacturing Competitiveness – are examined. The author concludes that the pre-existing capacity and local and state government support of the two successful colleges were as important as the network in determining their success. The barriers to effective business outreach are discussed, and recommendations for community colleges conclude the article.

Urban community colleges have the potential to become key actors in economic development by connecting business outreach with education and training. Two economic trends suggest the need for this role. First, there is increased recognition that a highly skilled workforce is a key factor in economic competitiveness (Hill and Rock, 1990; Reich, 1991). Federal legislation is increasingly defining education as an economic development issue, focussing on approaches that provide technical preparation for those jobs requiring post-secondary education but not necessarily a college degree. Second, several recent studies reveal that many US firms are not modernising production or upgrading the skills of their workers (Freeman, 1994;

National Commission on Education and the Economy, 1990). In response, programmes are being developed to provide technical assistance to firms in manufacturing and other industries to keep them innovative and on the cutting edge of technology. If integrated by community colleges, these functions could define a dual-pronged approach to economic development that addresses both the supply and demand sides of workforce development.

Community colleges are uniquely positioned to address both sides of economic development. On the demand side, many community colleges are providing customised training and technical assistance to local firms to increase their productivity and overall competitiveness (Jacobs, 1989; Rosenfeld, 1995; Rosenfeld and Kingslow, 1995). Thus, community colleges can help small and medium-sized enterprises increase the demand for highly skilled workers. On the supply side, many community colleges are offering technical programmes that train students for employment opportunities in new and growing industries. To the extent that outreach to local employers translates into improvements in classroom education, work-based learning, and subsequent job placement, community colleges can ensure a supply of well-trained workers for high-performance employers they help to create.[1] Unfortunately, inner-city community colleges are the least prepared to take on these responsibilities but are the ones that need to do so the most. Because unemployment rates are higher in inner cities, it is essential that inner-city community colleges be able to take on this function to connect poor people to job opportunities and to help stop the outmigration of manufacturing jobs to the suburbs.

Recent attention in academic and planning circles has focused on networking as a strategy to increase the capacity of employment training providers (Harrison, Gant and Weiss, 1995; Kanter, 1995; Lipmack and Stamps, 1994). This article examines networking as a strategy to improve the effectiveness of urban community colleges as economic development actors. As part of a 10-city study[2] of how education and training providers are networking to increase effectiveness, the research presented in this article examines the experiences of three community colleges that are members of the Consortium for Manufacturing Competitiveness (CMC), a network that supports community colleges in providing technical

assistance to SMEs. Two of the colleges have benefited greatly from their involvement, although the third has not. The discussion focuses on applying the four lessons learned from these community colleges to urban community colleges that want to have more of a presence in economic development.

Linking the education and economic development functions of community colleges

Community colleges are increasingly positioning themselves to assist firms in both adopting new technology and upgrading the skills of their workers (Bakum, 1991; Brint and Karabel, 1989; Rosenfeld, 1995).[3] Technical assistance is needed by SMEs that do not have the resources both to assimilate new technologies into the workplace and to upgrade their staff to use them. By providing customised training and technical assistance in technology modernisation, community colleges take on the important economic development role of maintaining and increasing the number of high-performance workplaces in the local economy.

The perceived 'win-win' nature of these partnerships has prompted many states to fund business outreach and technology transfer programmes in community colleges (Clark and Dobson, 1991; Flynn & Forrant, 1997).[4] For example, the state of Illinois partially funds every community college district to operate a business development centre. Other states have targeted specific industries on which to focus industrial outreach and training. Alabama and Massachusetts, for example, have selected key industries around which centres for technical excellence have been established. Alabama has committed $3.8 million to establish a network of Centers for Technical Excellence. The five industries are advanced manufacturing, electronics, environmental technology, biotechnology, and telecommunications. The centres pair major universities with community colleges to provide research and technical assistance to manufacturers.

In addition, some community colleges are partners in the first national initiative in manufacturing outreach in the United States. Started by the National Institute of Standards and Technology (NIST) in 1989, the Manufacturing Technology Extension Center programme was part of

the Omnibus Trade and Competitiveness Act.[3] The Manufacturing Technology Centers (MTCs) established by the Act provide modernisation assessment and analysis of training needs, technical assistance in the adoption of new technology and modern management practices, workforce training, and facilitation of entry into new markets (Shapira and Roessner, 1993).[4]

As this economic development role is relatively new for community colleges, most need some sort of technical assistance in developing this function – particularly with connecting it to their educational programmes. The CMC was created to fill this role for community colleges in the southeastern United States. Case studies[5] of the experience of three member community colleges are used to examine whether such a network increases the capacity of community colleges in business outreach, to identify the characteristics of successful community colleges, and to identify external factors responsible for successful outcomes.

The experiences of three community colleges in the CMC

Two of the three community colleges – Gadsden State in Gadsden, Alabama, and Okaloosa-Watton in Niceville, Florida – have been members of the CMC since its formation in 1988. The third – Lawson State Community College in Birmingham, Alabama – was added in 1991, when it became apparent that the network should include a black institution to serve minority students and businesses better.

The CMC was created by the Southern Technology Council, an organisation composed of the governors of 13 southeastern states, which is the economic development arm of the Southern Growth Policies Board. The CMC was organised to enhance the capacity of the region's technical and community colleges in providing technical assistance to SMEs – a role few colleges in the region had been playing. The CMC is managed by Regional Technology Strategies, Inc (RTS), a non-profit corporation that acts as a clearing house for information, funding opportunities, and technical assistance to the CMC.[5]

State community college governing boards recommended the most capable institutions in their systems to pursue these activities. Twelve colleges were selected; since then, three more have joined the CMC.[9] Planning and implementation grants from the Appalachian Regional Commission, the Tennessee Valley Authority, and the US Department of Education were used to help the colleges develop and strengthen their manufacturing outreach efforts.

Each college has an advisory board for each of its technical specialisations, with representation from local SMEs. Each board assesses whether the services meet the needs of local firms and whether education programmes are using up-to-date technologies. In addition, some of the centres have a governing board made up of local CEOs, educators and economic development specialists. The services provided to SMEs include productivity assessments, applied research, staff training, prototype development, management and technical assistance, and preparation for supplier certification.

The primary objective of the CMC is to provide technical assistance and support to assist community colleges in becoming effective at manufacturing outreach. Several activities are promoted to meet this objective. One is to encourage mutual learning among the colleges. Through quarterly meetings and frequent informal interactions, members discuss approaches and problems. The mutual learning goal is to shorten the learning curve for colleges as they develop their business outreach operations. A second activity is for the colleges to assist firms in networking more effectively. A third is for the CMC to assist the community colleges in obtaining resources for programme development. The case studies present in detail how these activities have been undertaken at three member community colleges.

Bevill Center for Advanced Manufacturing

Gregg Bennett, executive director of the Bevill Center for Advanced Manufacturing in Gadsden, Alabama, is convinced that the CMC allowed his centre to move into manufacturing outreach quickly and effectively. He reported that, during the first years of the programme, he was on the phone almost daily with other members, asking for (or providing) advice on some aspect of industrial outreach. Quarterly meetings provide another

forum for CMC members to interact and to plan joint projects. Through these formal and informal means, members engage in problem-solving and curriculum sharing.

The Bevill Center also illustrates how CMC members interact with local firms and local government economic development departments. It is a joint venture of the City of Gadsden, Gadsden State Community College, and the University of Alabama. The centre was created in 1987 because of their mutual concern that the region's future depended on competitive manufacturing. The level of local commitment to manufacturing outreach is evident in the amount of local financing received or raised by the centre. The City of Gadsden passed a tax bill to fund part of the centre's construction and operating costs. Gadsden State Community College committed $250,000 per year for eight years to fund operating costs. Given the small amount of discretionary funding in Alabama community college budgets, this demonstrated an unprecedented commitment to economic development as a mission for a community college. Additionally, the centre has received $8 million in equipment donations. Furthermore, the congressman serving the district in which Gadsden State is located has been quite successful in bringing federal and state funds to the Bevill Center.

The centre employs 18 full-time and two part-time staff, with additional involvement of faculty from Gadsden State Community College and the University of Alabama. The staff members are engaged in applied research, providing technical assistance to local firms, and in engineering consulting. The area of concentration is manufacturing technology, with activities in automated process, control, computer-aided design and engineering, computer-aided manufacturing, numerical control machining, and industrial automation and robotics.

Students and local firms have access to a modern manufacturing library at the centre. Furthermore, an apprenticeship programme in machining and tool-and-die making is offered. Employees of local firms can earn journeyman status and an associate degree in machine tool technology. Students also are enrolled in the technology and engineering programmes and frequently complete internships with firms working with the centre. The curriculum provides opportunities for students to engage in actual projects with these firms.

Several lessons can be drawn from Gadsden's success. Networking with other community colleges through the CMC allowed Bennett and his staff to draw from the experience of other colleges in getting the programme established. Equally important was the support of the city and state in providing a resource base to start the programme and create a core staff to operate it. The state, city and community college defined a clear focus in manufacturing technology, which met the needs of local firms and built on the expertise of the faculty. The centre shows that manufacturing outreach can be a win-win partnership for community colleges, students and local firms. The local economy has been strengthened, as firms working with the centre have become more productive and competitive. The quality of the college's programmes has improved through new equipment and by being able to offer work-based learning opportunities for students. Furthermore, the centre accumulates knowledge from the firms it works with and is able to pass this knowledge on to other firms. Students benefit from more relevant courses and increased job opportunities after graduation.

Okaloosa-Walton Community College

Okaloosa-Walton Community College in Niceville, Florida, has been particularly effective in encouraging SMEs to network. David Goetsch, president of Vocational and Technical Education at Okaloosa-Walton Community College, hoped that local military subcontractors would want to form a network as a means of expanding their opportunities. To generate an interest among manufacturers, the CMC helped him organise a conference at which representatives of manufacturing networks from Italy presented information on networking. Representatives from 40 local and regional firms attended the conference.

Shortly after the conference, Goetsch surveyed the firms, to test their interest. He found that almost all the firms were still resistant to the idea. Only after President George Bush announced deep cuts in military spending a few months later did several of the firms contact Goetsch to inquire about forming a network.

In 1989, Okaloosa-Walton formed the Technology Coast Manufacturing and Engineering network, with 50 local companies as participating members. The Economic Development Council of Okaloosa County agreed to serve as the co-ordinating organisation for the network. Engineering, software, manufacturing, computer systems, and specific defence systems were chosen as specialisations of the network. Member firms became involved in joint purchasing, worker training, and marketing activities. As a result, the firms realised a combined savings of $50,000 in their first pooling of office supply orders. Prior to the advent of the network, most of the member firms did not engage in any marketing. Now, the firms are marketed together at trade shows, do joint advertising, and work together to identify niche markets.

In response to member demand, Okaloosa-Walton organised the Okaloosa Total Quality Institute (TQI) to provide total quality management training. Many of the firms in the network expressed a need for courses in various management topics but did not want to send employees through the regular enrolment process at the college. In response, Goetsch organised the TQI as a provider of contract training. Firms contact the college with their requests, and TQI finds an expert from its database of consultants to teach the class or workshop. This approach allows the community college to draw on a wider base of expertise than that available from its faculty.

Recently, a 'Keep the Work at Home' programme was established. The college conducted a survey to identify manufacturing capacities present among member firms. The survey revealed that many processes that some firms did not have were available at others. With this information, a bidding process was set up, so that network members have the first shot at bidding on work previously contracted out to non-local firms. Another offshoot of the programme is that the member firms have realised that, by pooling their resources, they are able to take on projects too large for any one of them individually.

The lessons derived from the success at Okaloosa-Walton are similar to those identified for Gadsden. Like Gadsden, Okaloosa-Walton's outreach efforts were supported by local government – in this case, the county's economic development council. Okaloosa-Walton identified a niche in total quality management and networking to serve local businesses. Once the

college established itself as a knowledgeable and trusted actor in these areas, firms found more services the college could provide. Goetsch revealed the significance of the co-operative activities for network members by pointing out that, prior to the college's intervention, most of the firms, which were located in the same industrial park, saw each other strictly as competitors and had not even talked. Goetsch reflected that the idea of co-operating with one's competitors has been difficult for US firms to grasp. He noted that it usually takes a dramatic event, such as a cut in defence spending, to spark interest.

Co-operation was achievable because of the role Okaloosa-Walton Community College played as a facilitator. Because Okaloosa-Walton has been providing manufacturing outreach since 1976, the firms placed a great deal of trust in the college's acting in their best interests. Because the firms still are competitors at some levels, Goetsch suggests the network would fall apart if the college did not play this role. The advice and technical assistance provided by RTS and CMC members allowed the college to increase its outreach capacity and to engage local manufacturers in a network, maintaining the competitiveness of local manufacturers who might have gone under without this intervention.

Lawson State Community College

The story of Lawson State Community College, a historically black college located in Birmingham, contrasts markedly with other colleges in the CMC. Lawson began as Wenonah State Technical Junior College in 1963, offering vocational programmes in occupations such as barbering, cosmetology, and blue-collar trades. After several name changes and mergers, it became Lawson State Community College in 1973, offering technical courses and college transfer programmes.

It has been difficult for Lawson to compete academically with the other two community colleges in the Birmingham area, Bessemer State Technical College and Jefferson State Community College. As a historically black college, it has never received the same level of funding as predominantly white colleges in the state. Furthermore, the state moved some of Lawson's programmes to Bessemer State, which has become the largest technical

college in Alabama.[10] Despite these difficulties, Lawson has managed to build high-quality programmes in registered nursing and drafting, and both programmes are well connected to Birmingham employers. But, in many programmes, lack of funding ensured Lawson's mediocrity. Because the programmes are seen as inferior, there is hesitancy on the part of state government and the private sector to invest in its programmes or in the college. The local perception is that Lawson is a mediocre college at best; thus there is little interest in investing in new activities – such as business outreach – especially when other local institutions are undertaking the same activities.

The college's economic development mission was not pursued until 1987, when Dr Perry Ward became its president. He established economic development as a priority and was committed to integrating the college into a broad network of institutions working to modernise Alabama's businesses. Between 1987 and 1991, Ward worked to establish resources and expertise in industrial technology and outreach. An annual budget of $270,000, provided to Lawson's industrial technology programme from the Alabama Department of Education, was used to buy equipment and to maintain programmes in computer-assisted manufacturing and design. The $1 million Fred Horn High Technology Building, named after the state senator who secured its funding, was constructed to house the drafting and design technology programme and automotive collision repair programme, and has facilities for teleconferencing and distance learning.

Lawson hoped to realise its economic development mission by joining the CMC in 1991. The CMC wanted to recruit a predominantly black college, in response to a Southern Growth Policies Board report indicating that more minorities would have to be trained in technical jobs if the region was to maintain its manufacturing base. Lawson was chosen because of Ward's commitment to economic development and its proximity to the Bevill Center in Gadsden.

From the beginning, Lawson staff had misperceptions about what the CMC could provide. Lawson's joining the CMC was viewed as a means to gain financial resources to begin business outreach activities, even though the college had not defined an area of specialisation for business outreach. The CMC, however, was not established to provide funds for supporting

programme staff at member institutions; rather, it identifies sources of funding and assists member institutions in submitting applications and grant proposals.

Two Lawson administrators were given part-time responsibility for developing relationships with manufacturers and attending CMC meetings. But establishing relationships with employers required more time than the two staff members could provide; each was in charge of several other outreach programmes in addition to his administrative responsibilities.

As part of its new mission, Lawson is involved marginally in other local economic development partnerships. It is a member of CraftTech 2000, a technology transfer consortium organised to provide technical education for employees of the Mercedes-Benz plant under construction outside Birmingham. As a member of the Total Quality Management Advisory Council (TQMAC), Lawson faculty members provide workshops to meet the management development needs of local companies. Although these partnerships are valuable, Lawson is not as active a partner as other members and is not a member of other important economic development partnerships. Interviews with actors in economic development and business organisations suggest that Lawson is not seen as capable of contributing to ongoing efforts.

After four years in the CMC, Lawson staff members involved with business outreach report disappointment with their progress. In 1993, Lawson provided technical assistance to five firms; this increased to 10 firms in 1994. In contrast, the Bevill Center, established in 1997, has engaged in 217 projects with more than 100 companies. The only tangible benefit Lawson staff could identify from membership in the CMC was exposure for the college's programme, through its presence at monthly meetings. Because Lawson was providing little manufacturing assistance, there have been few benefits in attending meetings. Over time, Lawson's participation dwindled. Rather than capacity enhancement, Lawson's sporadic attendance and participation may have served only to make its lack of capacity more evident to the other colleges in the CMC and to local organisations.

Lessons learned from Lawson's failure

There are four interrelated barriers to Lawson's lack of success in manufacturing outreach that are not present in the successful colleges. These include poor academic reputation, competition from other institutions, lack of funding and staff, and lack of programmatic focus.

Firstly, Lawson's ability to work with firms is hindered by its academic reputation. Underfunding through the years has limited Lawson's ability to develop high-quality academic programmes. Furthermore, most entering students are under-prepared when they arrive and, if they finish, perform poorly at four-year institutions when they transfer. Several administrators report that Lawson students do not have the mathematics background to enter many high-tech trades. As a result, there are high enrolments in programmes such as cosmetology (125) and barbering (65), but only 17 students in electronics. With this academic focus, it has been difficult to convince local businesses that the college has sufficient expertise to serve as an adviser in manufacturing technology.

Race has been a factor in historical funding patterns as well as in the willingness of local firms to work with Lawson staff members. Lawson staff members report difficulty in establishing relationships with SMEs in the Birmingham area, because most of these businesses are white owned; they feel more comfortable working with white staff from other community colleges involved in business outreach. It is difficult to determine how much of this discomfort is based on race alone and how much on the college's academic reputation.

A second barrier to Lawson's entering business outreach is that other local educational institutions have long-standing industrial outreach programmes. Given its limited resources and poor academic reputation, it is difficult for Lawson to compete with these established programmes. Nearby Bessemer Technical College has been working with corporations locally and throughout the southeastern United States for more than 20 years. Bessemer has two centres that provide apprenticeship, corporate training, and technical assistance to local firms, including General Motors, Ford, and Toyota.

Another community college in Birmingham – Jefferson State – also offers limited outreach services to local businesses; it serves a predominantly white student body and has a better academic reputation than Lawson. Although not as strong a presence in business outreach as Bessemer, Jefferson's Center for Professional Development provides workshops for local businesses. Furthermore, the University of Alabama at Birmingham (UAB) is a key player in Birmingham's economic development. In addition to being the key institution in the Center for Biotechnology – one of five Centers for Technical Excellence in the state – UAB operates a Small Business Development Center, a Biotech Incubator, and several short-term training programmes for local businesses.

Lawson has two choices in responding to its competition. It can identify a niche for outreach not being met by the other institutions, or it can convince them they have something to gain by including Lawson in partnerships to provide business outreach. To date, Lawson has done neither.

Third, Lawson has not committed enough staff to developing business outreach capacity. The staff members assigned to manufacturing outreach have little time to establish relationships with local firms or to attend the CMC meetings. Yet, if Lawson is to secure funds to develop an outreach programme, staff time must be committed to going to meetings, finding out about funding opportunities, and developing proposals for funding.

Fourth, Lawson has not identified a niche for its services, nor do its staff members share a vision of business outreach to guide these activities. Lawson has not conducted any needs assessments to determine where a niche in industrial outreach might lie. Instead, a programme was conceived in an area (computer-assisted manufacturing and design) in which other colleges had already developed expertise and outreach.

In summary, even though Lawson's president had defined economic development as a mission, sufficient staff resources were not committed to developing it, and the background research for defining an area of expertise was not completed. The CMC was seen as a source of funds, rather than as a resource for assisting the college in obtaining funds and developing technical expertise. Ultimately, local businesses correctly perceived that the college had no unique expertise to provide.

How community colleges can succeed at business outreach

All experience of the CMC colleges suggests that networking is an effective strategy for increasing capacity, but only under certain conditions. These conditions, detailed below, are present at Gadsden and Okaloosa-Walton, but not at Lawson.

Staff commitment is essential to establishing expertise in business outreach. Economic development generally (and business outreach specifically) is a shift in emphasis for many community colleges. New expertise and commitment of time are required to develop and implement activities in this area. The mistake Lawson made was assigning partial responsibility to staff members with numerous other responsibilities to develop its business outreach programme; furthermore, only one was a specialist in an area in which Lawson could provide technical assistance. In contrast, staff at other CMC sites emphasised that having a full-time person with recognised technical expertise to develop relationships with local employers was critical to getting their programmes underway.

Assuming that an outreach programme is developed around existing strengths, it does not necessarily require hiring new faculty. In fact, Okaloosa-Walton's TQI operates with no core faculty; rather, experts are brought in to teach courses and workshops in demand by local employers. Goetsch argues that this strategy allows him to avoid a mistake common to community college business outreach centres: selling what they have rather than what local businesses need. He suggests that a more cost-effective strategy is to analyse local needs, develop a prescription to solve problems, and find someone to fill it.

A niche for services must be identified that builds on existing strengths and recognises existing competition. The two successful community colleges identified niches for the outreach services they offered. At Gadsden, it was in manufacturing technology; at Okaloosa-Walton it was in total quality management and firm networking. In contrast, Lawson attempted to enter economic development by attending the meetings of various economic development organisations without having identified an area of expertise in which the college could offer assistance.

Okaloosa-Walton's experience suggests that the niche identified may not be recognised as a need by local firms. The firms in its service area, for example, did not recognise the need for networking until the college repeatedly made the case. Once they realised its benefits, the firms were willing to engage in additional co-operative endeavours.

In the case of Gadsden, all the ingredients were there, although they were not connected. Local firms were aware that they needed to modernise their production technology, and Gadsden faculty members had expertise in this area. A state study recognised the need, and local actors worked to connect the Bevill Center to the businesses. What was needed was an intermediary to connect them. The Bevill Center was created to fill this intermediary role.

In contrast, Lawson has yet to identify a niche in business outreach, and in fact seems to have ignored areas in which one could be established. One missed opportunity, for example, is in serving the basic skills training needs of local SMEs. Although not as glamorous as computer-assisted design and computer-assisted manufacturing, basic workplace literacy is a service Lawson could provide, which would give the college a foot in the door with local businesses. Once a level of competency had been developed in this area, programme expansion could begin, based on periodic needs assessments of the firms with which it had established relationships.

Adequate funding is necessary to develop an effective outreach programme. In general, community colleges do not receive funding commensurate with their enrolment. Although approximately 30% of undergraduate enrolments are in community colleges, they receive only 20% and 10% of state and federal higher education funds, respectively (Koltai, 1993). Funds beyond what most states provide were needed by the colleges to develop business outreach capacity. These funds came from state money earmarked for this purpose or from foundations. Both Gadsden and Okaloosa-Walton obtained additional funding from state and local governments to establish their programmes. Lawson also had state funding, but it was not enough to provide sufficient staff, equipment and facilities to serve business education and training needs.

Because few states are increasing funding for community colleges, the CMC provided a useful function in assisting its members in identifying sources of external funding and in submitting proposals. If business outreach is to be distributed according to scale, however, a consistent source of performance-based funding will be needed.

Business outreach is most effective when it moves beyond customised training and connects to broader local economic development goals. There are an increasing number of win–win partnerships between community colleges and individual businesses (Fitzgerald, 1996; Lynch, 1991; Maiuri, 1993; Ryan, 1993). To have a broader impact on economic development, however, community colleges need to move beyond individual partnerships. The business outreach programmes at Gadsden and Okaloosa-Walton have been able to expand beyond individual partnerships into intervention in a specific industry or cluster of industries.

In the case of the Bevill Center, the community college became an integral part of the state's regional targeted industry strategy. The Bevill Center serves as an intermediary in this strategy by working to make firms more productive and profitable and by providing education and training for workers. This example illustrates how community colleges, as the point of connection between the supply and demand side of economic development, can be key actors in sectoral or targeted industry strategies (see also Fitzgerald and McGregor, 1993).

Okaloosa-Walton illustrates how community colleges can perform another key economic development function – that of facilitating networks among firms within an industry. Practitioners and researchers in the field suggest that facilitating network formation among SMEs is an important role for the public sector to play, because networking allows small firms to increase their efficiency and expand their capacity (Bosworth, 1995; Rosenfeld, 1992; Saxenian, 1990). The firm networking facilitated by the college resulted in cost savings to the firms, but – more importantly – allowed them to bid collectively on larger contracts.

Recommendations for urban community colleges

In summary, the experience of the CMC colleges suggests that the consortium, as a network of mutual support, information, and technical assistance, allowed community colleges with pre-existing academic credibility and ties to local firms and local economic development actors to expand fledgling programmes into effective and successful operations. Addressing the multiple internal and external barriers to developing business outreach at Lawson, however, was beyond the scope of what the CMC could accomplish. This suggests that networking, as a means of gaining expertise, is effective only for those community colleges that have some pre-existing capacity in business outreach.

The four barriers identified at Lawson exist in varying degree in most inner-city community colleges. Likewise, these barriers are intertwined with racial and funding issues in most cities. Graduation and placement rates at most inner-city community college systems are abysmally low, for the same reasons mentioned in the discussion on Lawson State. Students entering from the public schools are not prepared for college-level work and usually require significant remedial work. Administrative and faculty problems are not uncommon. Combined, these factors translate into community college systems that have little capacity to fulfil either their education or economic development missions.

Yet, almost all inner-city college systems can point to one effective programme that has strong ties to employers. What most systems have not been able to do is to translate a singular success into an overall approach. This suggests that, in addition to regional or national networks and organisations, community colleges need to become engaged in existing horizontal networks at the metropolitan regional level, with businesses, universities, local governments, and community organisations as partners. These partnerships could identify key industries around which to focus both business outreach and educational programmes and in making difficult funding and administrative decisions to restructure urban community colleges to be more responsive to the current economic environment.

Notes

1 There are few methodologically sound studies of the effectiveness of such programmes. However, see Kochan and Osterman (1994). My own experience in trying to interpret Illinois Community College Board (ICCB) data suggests that their impact is exaggerated considerably. The ICCB estimates that, in 1990, community college business development centres were instrumental in creating and retaining approximately 38,000 jobs in the state. When asked how the 'jobs saved' category was defined, an official from the ICCB responded that ICCB did not have an official definition but rather left it to the discretion of the community college in its reporting. Representatives from several community colleges revealed that the category was constructed by asking the firms what the result would be if the below-market service were not available, Most replied that they would not be able to incorporate new technology or train workers; thus, the jobs would be lost. Using this information, community colleges can report that almost every employee served represents a job saved.

2 Networking Across Boundaries was a project sponsored by the Ford Foundation, the Annie E Casey Foundation, and the John D and Catherine T MacArthur Foundation to examine the capacity-building agendas of community-based organisations to promote the development of more effective networks. The principal investigators were Bennett Harrison and Marcus Weiss.

3 Economic development is not universally considered an appropriate mission for community colleges, because it typically is accompanied by a commitment to providing vocational education. A debate over whether the mission of community colleges should be transition to four-year institutions or terminal occupational degrees has raged since the American Association of Junior Colleges was established in 1920. This debate is summarised in Brint and Karabel (1989).

4 To date, there is little solid evaluation of the effectiveness of business outreach and technical assistance programmes. Flynn and Forrant's (1997) case studies of two intermediary organisations employing different approaches to manufacturing innovation reveal that their benefits

to SMEs are social as much as technical. They conclude that intermediaries are effective in facilitating intra-firm and inter-firm learning, reducing the cost and risks of employing new technologies and new forms of workforce organisation.

5 The act included the redesignation of the National Bureau of Standards to the National Institute of Standards and Technology (NIST), which is part of the US Department of Commerce. The other two NIST programmes are the State Technology Extension Program for developing state programmes and the Manufacturing Outreach Centers, which are simply smaller scale Manufacturing Technology Centers.

6 Although this programme is a needed step in the right direction, Shapira and Roessner (1993) argue that most programmes suffer from problems such as lack of a constituency, fragmentation among partners, and general lack of understanding of what types of services should be prioritised.

7 The information presented is based on on-site and telephone interviews with key actors from the three community colleges and Regional Technology Strategies, Inc (RTS), and from documents and published information on the programmes. Lawson was chosen as a site by Harrison and Weiss as part of the Networking Across Boundaries project. The other two colleges were identified in interviews with staff at other Consortium for Manufacturing Competitiveness (CMC) colleges as 'best practice' examples of community colleges using the CMC to increase their capacity in manufacturing outreach.

8 RTS was started by Stuart Rosenfeld, former executive director of the Southern Technology Council.

9 The member colleges are: Augusta Technical Institute, Georgia; Southern Arkansas University Technical Branch, Arkansas; Tom Bevill Center for Advanced Manufacturing Technology/Gadsden State Community College, Alabama; Chattanooga State Technical College, Tennessee; Hagerstown Junior College, Maryland; Haywood Community College, North Carolina; Hazard Community College, Kentucky; Itawamba Community College, Mississippi; Lawson State Community College, Alabama; Okaloosa-Walton Community College,

Florida; Oklahoma State University – Technical Branch, Oklahoma; Texas State Technical College, Texas; Trident Technical College, South Carolina; West Virginia University at Parkersburg, West Virginia; Wytheville Community College, Virginia.

10 Bessemer was created by the state legislature in 1963 along with 27 other technical colleges, after approval of a special tax for funding the system. Like Lawson, it went through a series of changes of name and focus before becoming Bessemer State Technical College. It was accredited by the Southern Association of Colleges and Schools in 1972.

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Chapter 7

Measuring a college's impact on its community

Gordon Aitken

By any measurement, colleges are large and important organisations which have a significant impact on their economies. Yet that impact is often unrecognised and certainly unquantified, not least within colleges themselves. In a planning climate increasingly moving towards collaboration between key local players, the perceived role of colleges will be vital. This chapter sets out the approach taken by the Responsive College Unit (RCU) to the challenge of demonstrating an individual college's economic impact.

One approach to demonstrating the economic impact of the further education sector is to work at a macro-economic level, measuring the contribution made by the sector as a whole to the economic health of the economy. Important work has been carried out in recent years using econometric techniques to quantify the multiplier effect of the investment of public funds in further education. McNicoll (1994) concluded that every £1m of output from the FE sector in Scotland generated total output in the Scottish economy of £1.43m and supported 45.5 Scottish jobs. Attempts to apply a similar approach to measuring the economic impact of individual colleges have produced spectacular headline figures (Peeke, 1993), but the multiplier model has been severely strained by these attempts, particularly as local economies are at best, notional creations. The value of using multiplier figures to calculate the impact of individual colleges is questionable, partly because the local economy does not have a fixed definition,

and partly because the public spending debate currently concerns the best allocation of finite pools of public expenditure, not its overall level. Most of a college's budget is spent on salaries, and the FE multiplier is unlikely to be impressive compared to other potential uses of public expenditure, for example the Health Service, where the *marginal propensity to consume* of employees is likely to be higher. However there remain very clear benefits to a college from carrying out an economic impact assessment.

The approach described in this chapter is deliberately practical rather than theoretical and makes use of an example in which the RCU was commissioned by a college to produce a document which demonstrated the college's impact on its local economy. What emerged was an approach which any college could take. From the outset, the primary purpose of the research was to produce a high impact public relations document which could be used to raise the awareness of collaborative partners, key stakeholders and college staff (including current and potential governors) of the importance of the college's economic contribution. The economic impact report thus formed one ingredient in a co-ordinated strategy to ensure the maximum involvement of the college in strategic planning within its immediate area and sub-region. Feedback from the commissioning college indicates that the report has proved particularly effective in raising the awareness of key local economic players.

Outline of the methodology

The methodology used to gather evidence to support an economic assessment in the example college involved the following stages:

- definition of the college's main sphere of influence
- postcode analysis of the college's recruitment and attainment records
- harnessing existing market research data of cumulative participation
- analysis of employer customer records
- postcode analysis of personnel records
- application of external evidence of consumer behaviour in the region
- analysis of college purchasing records
- analysis of the volume and source of college funding, including the trading surplus of wholly-owned subsidiaries

- additional research into student expenditure patterns
- gathering of evidence of staff involvement in key local initiatives and organisations.

Typically, attempts to harness some of the data in the example college revealed gaps and imperfections in the college's record-keeping, especially in the supplier records. This is to be expected, since the research was making use of data for purposes other than the primary function for which it was gathered. An added benefit from conducting an economic impact report is the extent to which it highlights opportunities to improve and harmonise record-keeping.

Defining a college's local economy

Most colleges have a mission statement which commits them to serving their communities, but these communities are often quite vague concepts in geographical terms. Incorporation removed designated catchment areas, and despite indications of a possible return to this approach, it is actually very difficult to define a college's sphere of influence.

One solution is to allow the college's actual recruitment performance to dictate this sphere of influence. A college's main recruitment area can be defined by comparing its enrolment pattern to demographic data and setting a threshold, for example postcode sectors where participation exceeds 1% of local residents taking part in some form of provision. This approach has the advantage of being free of prior conceptions, but it also brings problems. The pattern for full-time provision is likely to differ greatly from evening provision; that for employer-sponsored, part-time provision will contrast markedly to the pattern for self-funded, day-time provision and so on. For each market segment, the college's principal recruitment area will vary according to transport factors, the presence of competitors and the location of outreach centres.

Furthermore, a college's main recruitment area, when generated freely from the data, is unlikely to coincide with any recognised geographic or political boundaries. This fact has always reduced the value to colleges of external sources of labour market information which are drawn up to reflect the geographical boundaries of the commissioning agency (for

example the TEC or local authority). Realistically, it is best to take a pragmatic approach to the definition of the college's local area, bearing in mind the likely audience for economic impact research. In the case study which forms the basis of this chapter, the college's main recruitment area coincided broadly with the Borough Council boundary, which equated to the Royal Mail post town and which was an accepted sub-area of the TEC. A collection of postcode sectors (a postcode sector includes the last number in a postcode, for example PR1 5) was drawn up which offered a best fit to these areas, and this definition was used to generate both internal and external data. It is vital for the proposed methodology that the definition is made up of full postcode sectors in order to provide full access to external data sets.

How the college interacts with its local area

Once the study area has been defined, the college needs to consider the variety of ways in which it impacts on the area. In practice, these are likely to fall into three main categories: the college as an education and training provider, the college as a trading organisation and the college as a community resource. Each of these will be considered in turn.

The college as an education and training provider

College management information systems (MIS) contain increasingly complete customer records, yet the primary function of most college information units remains the generation of evidence to support funding claims. Commercial organisations dream of gathering customer lifestyle data of the kind routinely provided by students on entry to college programmes, yet many colleges still make only limited use of student data for the purposes of customer analysis.

The simplest form of analysis is to compare current participation against known population figures. This can be done either in total (the percentage of residents in our defined area who are college customers this year) or within market segments (the percentage of females aged 35 to 45 who attend evening classes). Data from the 1991 Census of Population is available in postcode sectors and in single years of age to allow direct

comparison. In some areas, local economic intelligence units can offer enhanced data sets which have been updated for development since the census.

The RCU uses geographic information systems to depict variations in participation rates within an area in coloured maps, but tables can also be used to generate headline figures. The figure for total use of the college can be informative but it is not always impressive. A 5% participation figure may be enough to balance the books, but an unkind observer might query the impact of an organisation which 95% of local residents feel able to ignore each year.

One refinement is to calculate cumulative participation rates. In theory this should be achievable by linking successive years' student records, but in practice it could be highly problematic. Changes in software and student identifiers may make aggregation difficult over more than a two or three-year period; in most colleges complete postcode records are a relatively recent feature. Remarkably, it was perfectly acceptable to the Funding Council until very recently to record the college's own postcode as a default where records were incomplete.

An alternative solution which brings great benefits in its own right, is to carry out a local population survey. Surveys carried out by the RCU for colleges have indicated a typical figure of between 20% and 30% for the proportion of residents who have been direct customers of the college. In one rural area with a tertiary structure and a low rate of population turnover, the figure approached 50%. Clearly, this cumulative figure has much greater impact as a headline statement of the extent to which the college has enhanced the life and career chances of local residents.

It is also important to consider the composition of a college's customer base. The flexibility of a local labour market is often provided by new entrants, those changing jobs, those in part-time employment and those re-entering employment after periods of unemployment or home responsibilities. These groups form a significant proportion of most colleges' customer bases, although the student data gathered on entry is not always sophisticated enough to allow quantification. It may be necessary to review both enrolment forms and destination monitoring systems in order to

calculate accurately the number of students each year who progress from economic inactivity (or under-employment of skills) to employment or higher-level study. An economic impact report can be greatly enhanced by the inclusion of appropriate case studies which demonstrate the value added by the college for example clients.

The widening participation agenda has ensured that colleges now consider the composition of their student bodies against the structure of their local population. Any statement of a college's direct contribution to the local community as a provider of education and training should also address (and if possible quantify) the opportunities offered to socially or economically disadvantaged groups. The *Good Practice Guide* which accompanied *Learning Works* (FEFC, 1997) gave examples of groups whose participation should be assessed separately. In some cases, for example people aged over 50 or males who are unemployed, qualifying students can be identified and external data is available to quantify the total market. For other groups, like lone parents, figures are available through the Census of Population for the number and location of these individuals but they cannot be identified from student records. In the case of adults with mental health difficulties, no reliable data is available on either the number of qualifying students (unless they self-declare for the purposes of additional support) or the incidence in the community. Yet, however imperfect records are, any attempt to assess a college's economic impact should at least address the role of the college in providing enhanced life opportunities to vulnerable or disadvantaged groups. Once again, a restatement of college policies on widening participation backed up by relevant case histories may help to reinforce this message.

Of course, colleges also provide education and training to organisations. In theory it should be possible to adopt a similar approach here, calculating the percentage of the local area's employed workforce (as measured by the Annual Employment Survey) undertaking vocational training at the college each year. However, college records are often inaccurate in this respect. For example, enrolment forms may only record that a part-time vocational student is employed if the employer is paying the fee directly. Students funding their own training or claiming the fee back from their employer are rarely encouraged to declare their employed status, even where the

enrolment form allows for such information. As is often the case, the inadequacy of the college's records for purposes other than claiming funding units may not be revealed until research like this is attempted.

Quantifying the proportion of local employers using the college each year may be no less frustrating. Answering an apparently basic marketing question such as 'what percentage of small and medium-sized enterprises in the area used the college last year?' presuppose that:

- all business with an employer is recorded centrally whether it relates to day-release provision or customised training and consultancy
- such business is recorded using a unique identifier which relates to the employer (not separate cost codes)
- each employer's size is known and recorded
- its postcode is accurately recorded (a billing address need not be the employee's place of work)
- employers paying fees indirectly are identifiable
- the college has access to an accurate database of local employers.

In practice, few of these conditions apply in many colleges. College employer/customer records are weak even by comparison with the much maligned student record systems. The changes needed to establish accurate employer liaison databases lie outside the scope of this article, but again it is important to start asking the right questions to reveal the improvements required. How accurately could the college quantify its penetration of key local employer markets in order to demonstrate its contribution to raising local skill levels? What evidence exists to demonstrate the value added to employed students by part-time study?

An alternative approach is to measure the college's local contribution to the achievement of National Training and Education Targets. In the example here, the RCU obtained data from the TEC on the number of NVQs awarded in the selected area as a result of the training it funded. It became clear that the college was delivering over two-thirds of the NVQs (not NVQ equivalents) awarded in the TEC's area each year. Neither party had previously appreciated the extent of this contribution.

Other contributions are less quantifiable but are equally worthy of consideration. The college in question provided cost-effective training and consultancy for employers who would otherwise have found this difficult to afford. It made new technology and business facilities available to small firms on a bureau basis which enhanced their businesses, and it trained trainers and voluntary sector workers who in turn cascaded their knowledge to a much wider audience. This contribution can be demonstrated through examples and employer endorsements.

The college as a trading organisation

Colleges are major sources of direct and indirect employment in their local economies. The example college employed around 1,000 people, with a current salary bill of £8.3m for full-time and substantive part-time staff. Once again, the RCU used postcode analysis to indicate the impact this income was having on the local economy. Around two-thirds of the total salary figure was being earned by residents in the college's immediate local area. Indeed one single postcode sector's residents were shown to receive, after adjustment for taxation, almost £900,000 income from the college. Significantly, this sector was the subject of a local Single Regeneration Budget partnership and the college's direct impact on the area astonished its partner organisations. The college in question did not even appear in the main local database of employers even though its size would have placed it in the top five.

Salary figures can also be very powerful weapons in attempts to secure sponsorship from local employers. The National Statistics Office stated in *Social Trends 27* (1997 edition) that households in the college's region spent around 11% of their income on food and 10% on recreation and entertainment. The likelihood of securing sponsorship from a local supermarket could be enhanced considerably by statistics showing that college staff living in the town spent around £700,000 on food each year.

The pattern of a college's employment can also be highly revealing. Postcode analysis showed that the example college's senior staff were spread over quite a wide geographical area, whereas maingrade lecturing staff and (particularly) business support staff were much more likely to live

in the college's main recruitment area. This pattern, which is not unusual, raised important issues over the use that was made of support staff's local intelligence in planning the college's community liaison strategy.

Colleges are also sources of indirect employment. The multiplier process attempts to calculate the impact of each pound of public expenditure channelled through further education by taking into account the knock-on effect as that money is in turn spent by employees, suppliers, suppliers' employees and so on. The volume of spending passing round and round the system gradually falls due to savings and expenditure on goods and services from outside the area under examination. This multiplier figure is relatively easy to calculate for a clearly defined economic area such as a nation or, to a lesser extent, a region, but its application to a small subregion such as a college's main recruitment area is much more problematic.

However, it is possible to calculate the value of a college's purchases of goods and services from local suppliers. This is achieved by applying postcode analysis to the college's purchasing records, although the ease with which this can be done depends on the extent to which the college's accounting system can generate total spend by postcode sector. It may also be necessary to make manual adjustments to reflect contracts with national organisations (for example major capital projects) which are delivered through local subcontractors. This may require investigation of figures revealed during the tendering process.

Both the overall value of purchases in the college's local area and the actual number of suppliers used in any given year may be significant figures. Colleges often ignore their behaviour as a buyer when drawing up their employer liaison strategy, yet it will be an important element in determining their image with local businesses. Some colleges operate a policy of preference for local suppliers where other factors are equal and this can give positive messages to the local business community. Colleges should also consider the impact of their credit management policies on the local community. One college with which the RCU worked operated a fixed budget for the monthly cheque run and prioritised the suppliers deemed to have the most immediate impact on services to students. In practice this

meant the utilities and other large regular suppliers. Smaller, one-off suppliers often had to wait for payment beyond the period agreed in the college's terms of trade and these suppliers were more likely to be local.

In drawing up employer liaison strategies, it is easy to overlook the fact that the college's customers may also be suppliers and that the individual decision-makers in these organisations may also be students or the parents of students. In a recent focus group of potential students at a college open day, one participant explained that her family's only past contact with the college was that her father had just won the contract to paint its railings. With any luck he will be paid promptly as she is still debating whether or not to apply! While a college's purchasing policy must be driven by the need to make efficient and effective use of its resources, the monitoring of its impact on the local economy as a purchaser will at least ensure that these aspects are taken into account.

Another key element in quantifying the impact of a college as a trading organisation is to measure its success as a magnet for external funding. In addition to its core funding of £44 million over four years, the college in question had attracted £9 million of marginal funding by achieving growth targets and a further £10 million through external funding bids. These additional monies were featured separately in the college's economic impact report, since they demonstrated the success of the college in attracting funds into the local area. This figure for total value can then be backed up by examples of benefits to the local community from some of the resultant projects. Where appropriate, colleges should also demonstrate the use made of revenue gained through commercial activities, such as the trading surpluses of wholly-owned subsidiaries.

The college as a community resource

It is important to produce valid evidence of the college's impact on its local community in order to demonstrate the successful delivery of its mission. Colleges have a key role in helping to alleviate social disadvantage and the earlier section on the college's impact as an education provider stressed the importance of monitoring the extent to which the college enhances the situation of disadvantaged groups. This analysis can be extended by gathering

evidence on the college's contribution to voluntary agencies and local community bodies, for example by providing meeting venues, access to equipment and staff time. In theory it would be possible to place a financial value on these aspects, but this may be less effective than calculating the volume of support given.

An impact on the local economy that should not be overlooked is the value of local spending by college staff and students. The example college attracted over 400 full-time students each day from outside its immediate local area, and each of those students spent around 150 days a year in the town. A small survey among the students indicated an average spend of around £3 a day in local shops (and pubs) which produced a headline figure of £180,000 a year by external full-time students. Similar calculations could be used to quantify the expenditure of overseas students and higher education students from outside the area on accommodation and locally bought goods and services. The result, given the scale of college operations, would be a substantial headline figure with which to demonstrate the value of the college to local traders.

In a current economic impact study, the RCU is using a staff questionnaire to gather evidence on less quantifiable aspects of the college's influence, for example active membership of local trade associations or events committees. The college and its staff often provide a key local focus for groups which work to the benefit of the community, but which might otherwise not function as effectively. Most colleges directly sponsor local charities or events and this element should also be considered.

Conclusion

The production of a comprehensive economic impact study for a college can be highly effective as a public relations tool, particularly in respect of the perceptions of key local stakeholders. Colleagues in partner organisations are rarely aware of the true volume or value of a college's activities, and their perceptions can be radically altered by a thorough research document. The exercise can also have important internal benefits, including raising managers' awareness of the economic impact of their planning decisions, improvement of customer and supplier records and production of a

more comprehensive employer liaison strategy. There is also potential to use the resultant report to assist in the recruitment and induction of high quality governors.

Most colleges will find weaknesses in their records on the first attempt to produce a comprehensive economic impact report, but these can often be rectified relatively easily and even incomplete data can produce powerful headline figures. These economic decision-making structures at local, sub-regional and regional levels are more volatile than they have been for decades, and the success of colleges in securing an influential position will depend largely on the image and awareness other players have of the sector. Important work is taking place to demonstrate the impact of further education on the economy as a whole, but there is also an onus on individual colleges to provide evidence of the local impact. The approach described in this chapter has proved effective in assisting colleges to gather powerful and robust evidence of the crucial role they play in the success of their communities.

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8 Chapter

Structural funds and further and higher education

Ed Prosser

The Structural Funds – and especially the European Social Fund (ESF) – are about employability and competitiveness, both in the sense of a better trained work-force and a better functioning labour market; increasing employment decreases those who are a burden on the public purse – and thus the need for tax revenues.

The Structural Funds ensure an effective European Union presence in all parts of its territory. Public policy should make a clear and real contribution everywhere and to all sorts of people; this seems natural for a national government; it has to be worked at harder for the EU.

The European Commission has no specific overview or analysis of FE/HE involvement in the Structural Funds: it is simply not a parameter in the way we monitor and audit what we are doing. However, in relation to higher education alone, Dearing (Chapter 12.36) reports that in 1996 over £300 million was allocated to UK institutions from the Structural Funds.

Background

The UK currently receives about 28 billion ECU from the Structural Funds (1994–99).

The competences covered by the Structural Funds (and especially the European Social Fund) stem from the very origins of the European Communities and are based in Treaty provisions which have existed since 1957. (Indeed, there were analogous provisions in the Coal and Steel Treaty.) The key text in the Maastricht Treaty is Article 123, which reads as follows:

Article 123

In order to improve employment opportunities for workers in the internal market and to contribute thereby to raising the standard of living, a European Social Fund is hereby established in accordance with the provisions set out below; it shall aim to render the employment of workers easier and to increase their geographical and occupational mobility within the Community, and to facilitate their adaptation to industrial changes and to changes in production systems, in particular through vocational training and retraining.

Fundamentally, the Funds are based on the recognition that economic integration brings with it the need for labour markets to adjust, and that a whole range of social measures are necessary to support that process of adjustment. In that sense, Social Fund actions represent a fundamental pillar in the overall efforts towards the aims set out in the Treaty.

Since the inception of the European Community, the basic concept underlying the ESF has of course evolved and expanded. The principle of economic and social cohesion has become more clearly articulated, based in a commitment to solidarity – the richer members of a society should contribute to achieving higher standards of living across all regions and members of the EU states, as is the case within national frontiers. The First Cohesion Report gives us a clear account of the main achievements of structural policies on this score over the last three years: there has been an impressive catching-up process in the cohesion countries, with income per head in the cohesion countries having increased from 66% to 74% of the Community average. The Structural Funds have contributed actively to this process. We continue to be concerned to ensure the joint competitiveness of the Union.

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How the Structural Funds are managed

All of the Funds' expenditure – with the exception of 1% reserved for specific actions – is administered at Member State level, according to a Framework Regulation which sets out basic conditions regarding accounting and auditing, payments systems, eligible expenditure, and so on.[1]

On the Social Fund, this means that the principal interlocutor in the UK is the DfEE, although the financial arrangements are increasingly decentralised, having started in that direction mainly in Wales and Scotland.[2] Northern Ireland is, as ever, a special case, and its programmes are negotiated and funded directly via the Northern Ireland Office and related departments.

The current moves towards regionalised government, with the strengthening of regional Government Offices and the potential creation of further Regional Development Agencies, are of course of great interest. In general terms, the Commission has been extremely supportive of decentralisation of the management of the Structural Funds, and indeed we believe that many of the management models which have been developed for this – what we would call 'local partnership' models – have paved the way for some of the current thinking in the UK.

The aims of the Structural Funds must be attained on the basis of the partnership arrangements laid down in the Framework Regulation.[3] One important aspect of these management arrangements is the Monitoring Committee, which is set up in each case to monitor the implementation of the programme and exercise certain key functions of budget management and evaluation. Such committees are chaired by the relevant UK authority and have among their members both the Commission and a range of representatives designed to provide a proper local partnership, for example not only governmental departments and agencies but also representatives of key sectors (local authority, voluntary sector, business sector, TECs/LECs, FE, HE, and so forth).

The relevance of the Structural Funds for further and higher education

In 'nitty-gritty' terms, Structural Funds funding for FE/HE – which of course can cover both 'hard' funding for capital expenditure and 'soft' HRD funding – falls into five categories (which will overlap in many specific cases):

- specific capital funding for infrastructure, ranging from funding for complete new institutions to specific projects (often linked to developing services for industry and local development)
- funding to create new national institutional structures which are relevant to FE/HE, such as national accreditation systems, continuing training systems, student grant support, or networks in specific sectors
- funding to create new local institutional structures which are relevant to FE/HE, such as business-research interfaces (e.g. incubator units, SME development services)
- funding for specific training or research projects which will enhance the capacity of FE/HE to respond to particular economic needs
- provision of consultancy services to the Commission or member state authorities in support of Structural Funds activity.

In general, extensive 'hard' and institutional development tends to occur only in the most disadvantaged areas. However, the definition of 'disadvantage' is very broad, and the way financial assistance is zoned means that FE/HE is benefiting in many regions as a function of its position within areas suffering serious economic or social decline (for example in cities or regions where major industries have disappeared).

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Examples

Some specific examples outside the UK are:

Finland: where the Structural Funds are regarded generally as a complementary resource to national funding and one which is designed to underpin the capacity for innovation in policies: here we see programmes for partnership building, for FE/HE–industry co-operation, and for developing specialist local expertise centres for industry.

Ireland: where the non-university HE sector (the Regional Technical Colleges system – re-baptised as Institutes of Technology early this year) has been a major beneficiary, both in terms of academic and capital development and through direct student grant support for those pursuing courses. Considerable resources are also going into the development of accreditation and certification systems for continuing education and training.

Spain: where the Structural Funds are supporting the development of an entirely new skills assessment and continuing training system based on a tripartite approach involving government and both sides of industry. This has led to the development of FORCEM, a new national and regional institution serving these needs.

Italy: where the Structural Funds also have provided support for a more organised and structured continuing training system.

Portugal: where support has also been directed at promoting wider participation in research and development by companies, especially smaller ones.

From the UK (and bearing in mind the caveat about the details of project funding), there follows an example from a region with a high degree of Structural Funds eligibility:

Merseyside

In the UK, perhaps the most striking example of how effective the Structural Funds can be is Merseyside. The Objective 1 programme has broken new ground in the implementation of the ESF in particular, with the

'Pathways to Integration' concept giving excluded individuals and communities the tools to forge their own ways into work, to develop new employment opportunities and to create greater confidence in the areas where they live.[4]

The Structural Funds have supported a range of innovative projects in Merseyside which directly involve one or more of the local further and higher education institutions. For example:

- the refurbishment of the former Liverpool Royal Infirmary as a focal point for interaction with local business (an £11 million project to which the Structural Funds are contributing £4.3 million)
- the establishment of an Internet Centre for Merseyside Business (Connect), which has just received a second-phase grant of £1.19 million from the Structural Funds
- the Graduates into Employment Initiative to boost the rate of graduate recruitment by SMEs as well as local retention of graduates
- project support for several technology transfer projects such as the Product Innovation and Design Centre, Laser Engineering for Industry, and the Centre for Intelligent Monitoring Systems in energy and waste management.

Admittedly Merseyside is not typical, since:

- it is the only Compact Objective 1 region in the UK
- the relative level of Structural Funds funding available is very high
- the scale of the region facilitates local contact and action (e.g. local collaboration does not involve a large number of actors; the number and diversity of education and training institutions are manageable)
- there is arguably a commonality of culture and history which aids co-operation.

But even then, there can be considerable problems, including the normal inter-institutional rivalries, especially when the 'cake' is being cut, and the sensitivities which occur when the supposedly autonomous education establishments sector encounters programme management in which local authority is very dominant.

Other interesting regions include:

North-East England, with its 'Knowledge House' established with Structural Funds support as an access point for small business to the services of all the universities in the region

The Greater Manchester area, with its Campus Ventures as an incubator for small businesses created by the universities' graduates and staff.

Looking ahead to 2000–06

In July 1997 the Commission published its own first proposals regarding the next period of structural funds activity. This was in the now well-known *Agenda 2000* proposals. The Commission has now adopted the specific draft regulations for transposition into legislation.

Historically, in its first years the then European Economic Community tackled structural adjustment and infrastructure in the new Common Market, concentrating heavily on key industries undergoing profound change. We next entered a phase – the one we are now living in – dedicated to productive investment linked to continuing infrastructure improvement. The third phase – and all commentators seem to agree on this – will see the primacy of human resource development as the key to growth, competitiveness, and cohesion.

This is where the European Social Fund in particular comes in, but the Amsterdam Treaty also reinforces its importance. The Amsterdam Treaty confirms the EU's commitment to promoting economic and social progress which is balanced and sustainable and a high level of employment. The Treaty calls for a co-ordinated strategy for employment and for the promotion of a skilled, trained and adaptable workforce and of labour markets responsive to economic change.

The principles of equal opportunities and the commitment to combat social exclusion are also strengthened under the new Treaty, while the European Social Fund has always had social exclusion at its heart.

The key aspects are probably:

- the strong desire to simplify and streamline the overall operation, concentrating on areas of greatest economic need, and resulting in:
  - a reduced number of Objectives, which in effect remain similar to today's set-up
  - the reduction in the number of Community Initiatives from thirteen to three
  - the move towards a new division of responsibilities between the Commission on the one hand and the Member States on the other, with the Commission to some extent withdrawing from much of the month-to-month management
- the increasing importance across the board of human resource development, with the new Objective 3 providing a common framework for activity, particularly in regard to lifelong learning strategies.

Clearly, further and higher education's role is far from diminished and, given its potential and position at the apex of knowledge creation and diffusion, higher education must become an even more prominent player.

Conclusion

It is probably true that in many FE/HE institutions, the Structural Funds are regarded as 'just another source' of potential revenue. Such views are not uncommon in the UK: they are reflected in attitudes to research and development funding and in reports on how the European Commission should organise its services to help colleges and universities access funding more easily. What many forget is that, within their various areas, the Commission is pursuing specific policy aims and further and higher education is simply one sector – albeit one with a tremendous lot to offer — among several which have to work as partners in a common endeavour.

However, especially where substantial flows of money are going to FE and HE but on a time-limited basis, the Structural Funds must be a source of concern for those who have to worry about the long-term financial health of the system as a whole. This is, of course, an even more serious issue for the FE sector and those concerned with its funding.

Arguably, the most interesting policy changes for further and higher education in the next period will be:

- the increased importance of HRD strategy in the overall arrangements, as reflected in:
  - the 'horizontal' role of the new Objective 3 and the way it is integrated into Objective 1 and Objective 2 programming
  - the new lifelong learning priority as well as the retention and development of the current Objective 4 in the area of industrial change
- the move towards 'policy additionality': if this is accepted and developed imaginatively, it could be of considerable importance from two particular perspectives:
  - the regional perspectives being developed by the current government and by the Funding Councils themselves
  - the policy development perspective, for example in areas such as gender equality or sectoral or regional social policy development.

The new Objective 4 programme for the UK to some extent prefigures this new approach, highlighting, for example, the University for Industry and Individual Learning Accounts as new policy experimentation through partnership.

Overall, my own observation is that the FE and HE sectors are too differentially engaged in Structural Funds activity and that there is significant scope for increasing partnership, not just in a regional but also in a sectoral sense.

Among the key factors – which are complex – are:

- the extent to which the normal funding mechanisms for FE and HE act as a motivator or demotivator
- the relative priority which the Structural Funds historically have placed on the core functions of research and teaching (but this is changing), which, outside Objective 1 regions, has meant that the Structural Funds are of greater interest for FE

- the fact that the FE sector has developed as the major financial beneficiary in systems terms, which means that there is in-built resistance to any perceived switch of funding between FE and HE
- the enormous variations among regions in the amount of Structural Funds money available
- departmental divisions, which until recently placed the Structural Funds outside the main Ministry responsible for FE/HE
- the actual bureaucratic complexity of the Structural Funds.

However a more balanced and forward-looking view of FE and HE in the modern knowledge-based economy suggests that new approaches based on balanced regional provision and a broader 'lifelong learning' approach may favour change. Two straws in the wind:

> *Higher education is now a significant force in regional economies, as a source of income and employment, in contributing to cultural life, and in supporting regional and local economic development. ... As part of the compact we envisage between higher education and society, each institution should be clear about its mission in relation to local communities and regions.*
>
> (Dearing Report Summary, pp61 and 63)

> *The geographical distribution of universities in Europe makes it less important to establish new ones rather than to look at comparative performance. Where an insufficient contribution is being made to the development of a region's capacity to innovate, particular attention should be paid to strengthening their links with business and industry. Applied research and development and the development of technology centres, business incubators and other centres of innovation are examples of ways this could be done.*
>
> A quote from the European Spatial Development Perspective, which is under discussion at Ministerial level as a guidance document for future regional aid distribution.

However, the UK HE system remains grounded in a set of values which have historically been set from the top down via the most prestigious players in the system and also from a set of national (*pace* Scotland and Wales) and international systems and values. While there are always

notable examples and exceptions, I doubt that most HE institutions will become firmly rooted in local systems: the locality is in most cases for them a branch line, while the TGV routes link them into global standards of academic excellence to which the real aspirations are tied.

Can change be effected without drastically changing – and potentially damaging – the root systems from which the HE flora spring forth? By this I mean not just tinkering with funding formulae at the margins but redesigning the main levers such as those funding formulae, the institutional assessment criteria, and recruitment and promotion criteria for staff. To the extent that – to go by the Dearing report, for example, or by the responses to it – there seems no strong will to effect such a radical degree of change, one must draw one's own conclusions about any medium- to long-term systems change in the UK.

Notes

1 In addition to the general regulatory instruments governing the Structural Funds, the main instruments through which the Funds are administered are the specific programmes negotiated between the Commission and the Member States. These programmes have various titles (Community Support Frameworks, Single Programming Documents, Operational Programmes), but amount to the same thing in the end: an agreed statement of the aims, content, budget, and management arrangements for implementing a specific multi-annual programme in a specific geographic region.

2 Across the Structural Funds as a whole, other Ministries are of course in play, notably the Department of Environment, Transport and the Regions, the Department of Trade and Industry and the Ministry of Agriculture, Fisheries and Food. The same issues of interdepartment co-ordination therefore come into play at UK level as at Commission level, where there are four so-called structural fund Directorate-Generals:

DGV, Employment and Social Affairs
DGXVI, Regional Policy
DGVI, Agriculture
DGXIV, Fisheries.

3 Council Regulation (EEC) No 2081/93 Article 4 provides that:

> *Community operations shall be such as to contribute to corresponding national operations. They shall be established through close consultations between the Commission, the Member States concerned and the competent authorities and bodies – including, within the framework of each Member State's national rules and current practices, the economic and social partners, designated by the Member State at national, regional, local or other level, with all parties acting as partners in pursuit of a common goal. These consultations shall hereinafter be referred to as the 'partnership'. The partnership shall cover the preparation and financing, as well as the ex ante appraisal, monitoring and ex post evaluation of operations.*

4 There are 38 Pathways areas – all local neighbourhoods – designated across five boroughs covering half of Liverpool and a population of half a million people. Once such area is Kirkby, home to the Knowsley Play and Resource Centre, which offers a range of services that combine training, service provision and community development in a way that is typical of the Pathways approach.

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Chapter 9

Towards a world-class college: raising economic consciousness

Chris Hughes

The government has placed education at the heart of its economic agenda. The green paper The Learning Age *and its associated document* Further Education for the New Millennium *see colleges as central to the creation of a learning culture. The challenge for colleges is to walk through this open door and deliver world-class vocational education and training, and to do so in the context of new thinking about the knowledge society, learning at work and the learning region.*

The only constant will be government's reluctance to increase the percentage of gross domestic product spent on the public sector, with further education battling, as ever, for its share.

This final chapter examines these issues and suggests that UK colleges need to take an international perspective, adopting best practice benchmarks to maximise customer value from the public funds available. In so doing, colleges may reshape the skills supply/demand paradigm and leave behind the short-termism of so many recent initiatives. Perhaps then they will be treated as key players in economic development strategy.

Introduction

The first World Congress of Colleges and Polytechnics is scheduled for May 1999, in Quebec, Canada. It will be the most important international event in the history of community colleges, technicons, polytechnics, technical institutes ... and the vast array of other institutions whose missions are to meet the learning needs of the communities they serve.

Over 75 years, a worldwide network of more than 4,000 institutions has gradually emerged as a significant presence in the efforts of each country to meet the exploding needs for a skilled workforce as well as cultural and societal expectations. Bringing together leaders of these institutions from around the world, the Congress is a signal to the world that college and polytechnic education works. Those present will have a number of key questions to consider.

- How to create resources when government funding is decreasing in virtually every region of the world?
- Colleges are major contributors to national human resources development strategies. What have we done well? Where have we been weak? How must we change?
- Colleges and polytechnics have a major responsibility to work with business and industry. Where are the examples of success in the sector? What can we learn from successful models?
- The transition from learning to work is a major responsibility of our institutions. Are there transition management models that work well? How can institutions improve this transition period?
- What national policies seem to be contributing to increased accessibility? Do distance education and on-line learning hold any promise for accessibility?

The same issues, the same problems, but often different solutions. The opportunity exists in Quebec to share best practice, launch sustainable benchmarking, address the challenge of the information age and new competencies for work, and confirm colleges' claim to be central to economic development.

The knowledge society

Economic competitiveness, employment and people's personal fulfilment are no longer mainly based on the production of physical goods, nor will they be in the future. Real wealth creation will be linked to the production and dissemination of knowledge and will depend first and foremost on our efforts in research, education and training, and on our capacity to promote innovation. This process is directly linked to the aim of developing lifelong learning, promoting the highest level of knowledge for people through broad access to education and its permanent updating.

The traditional approach to economic development emphasises the 'hard' factors, such as infrastructure and the costs of capital and labour; recent strategies place greater emphasis on the 'soft' factors of enterprise, education and innovation. The most recent shift in thinking recognises that fundamental to *both* approaches are the skills of the local population. In an increasingly global economy with high levels of mobility of capital, the competencies needed to produce goods and services by the workforce and local suppliers are essential to attracting and retaining investment. At the same time, developing innovative small and medium-sized enterprises ultimately depends upon the creation and transfer of knowledge embedded in the skills of people as much as in physical products.

These trends will inform the regional skills strategies to be prepared by the new Regional Development Agencies. With an increasing emphasis on value for money in education and training programmes, the regional perspective will make it easier to assess the links between investment in human capital and economic performance. But in England the harmonisation of regional industrial policy with education and training policies will not be an easy task, not least because the two are overseen by different government ministries, each with distinct links to the various stakeholders (schools, colleges, universities, local authorities, employers, trade unions, TECs, regional development agencies). Perhaps the concept of the learning region can provide a useful framework for linking the concerns of industrial policy with education and training.

The idea of the learning economy suggests that it is not only the skills of individuals (be they employees or entrepreneurs) that matter, but the way in which knowledge is transferred from one group to another in the economy to create a 'learning system'. These systems are composed of the institutionalised networks of partnership between the public and private sector which support innovation by fostering learning and promoting synergy. A key success indicator of the learning region would be that networks effectively communicate to the education and training system the appropriate skills and competencies required of the workforce.

Under-performing regions are often characterised not only by an under-representation of high level skills, but also by poorly developed public/private networks – in short they have a limited capacity for learning. In such situations national policies which seek to reduce regional disparities need to provide resources to build institutional capacity in all regions up to the level that characterises the more successful.

Because of the barriers to creating learning systems, it is hardly surprising that development via inward investment has been the preferred route to economic development in many regions. Such investment may be the only way to kickstart a learning process by attracting to the region international companies which understand that forging links between the global and the local is good management practice. Increasingly development agencies are seeking to embed this investment locally by raising skills levels among the local workforce and enhancing the management competencies of local suppliers and subcontractors. Relevant skills, therefore, provide a key way of tying down the global in the local, and attracting successive rounds of investment.

There is an urgent need to bring human resource development into line with overall regional strategies. Too often regional education and training programmes operate in isolation, striving to reach performance targets, such as training places provided for the long-term unemployed, with little regard for the economic development benefits. Likewise, industrial policies such as those designed to promote regional technology development focus on goods and services, ignoring the fact that the technology is most

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effectively transferred by skilled people. Other regional industrial policies such as those focussing on developing local supply chains also need to be underpinned by management programmes in SMEs.

The funding of colleges is critical in either encouraging or stifling regional human resource development strategies. Clearly the quantum of funds is fundamental, but so is the method of distribution; for example, is it still appropriate for colleges committed to the collective good of regional development to be driven by a funding methodology based on individual student preference? This issue may well surface as RDAs engage with colleges on regional skills strategies, as will the current preoccupation with partnerships. In the desire to reduce the costs of education and training programmes, governments have introduced competitive bidding regimes for public funding. Colleges compete for market share by niche marketing, strategic alliances, pricing and student inducements. The funding rules will stipulate extensive partnership arrangements but, because the support may only be available for a limited period, the partnership may not be sustainable. Moreover, the high management overheads and high levels of uncertainty may sometimes discourage the participation of key players from both the public and private sectors. In these circumstances the public policy challenge is to provide strong incentives for collaboration to increase the regional market for skills development, while retaining the cost-effectiveness drivers for innovative schemes which characterise a competitive mode of funding.

Learning at work

The internationalisation of competition has opened up markets in all industrial countries to new competitors; the lines separating industries have blurred throughout the late 1980s and early 1990s as technologies and markets change, creating new growth opportunities beyond conventional boundaries. Advances in telecommunications and digital technology are offering organisations connections to the Internet and access to new Internet-related services. The development of intranets is further helping organisations to revolutionise the way they operate with their internal business units and external customers.

Taken together, these developments challenge the 'command and control' model of management. They point to a new view of organisation, with co-operation between partners, and collaborative group work among project teams in different locations and across organisational boundaries. The public sector in most industrial countries has not been exempt from such pressures. There has been tremendous emphasis on delivering service of the right quality, at the right price and at the right time. Increasingly, this has obliged the public sector to develop a strategic capacity for innovation, careful resource management, and benchmarks for services against best practice in the private sector. Colleges to date have confined their benchmarking to cost ratio exercises and not to service delivery.

A priority for colleges as well as their customers is to become more 'flexible' and responsive to consumer needs, and to work more closely with partners. This imperative to manage work processes more effectively and efficiently, add value for customers and manage knowledge to develop organisational performance has forced a series of reappraisals about the structures and internal relationships within organisations.

All enterprises seek to identify customers' needs. However, there are fewer and fewer ready-made gaps in the market within the global economy. New products and services are increasingly developed through a virtuous circle of interaction involving dialogue, collaboration and networking. Leading-edge companies are under continual, intense pressure to identify how to use knowledge to create customer value. As a result, managers are looking to their staff to create internal and external networks to ensure that maximum commercial gain accrues from managing knowledge effectively, and that the organisation itself benefits.

Inherent in the old organisational structure was the assumption that individuals add value to the degree to which they can fit the work structure of the organisation and fulfil preordained tasks. Furthermore, there was a fairly fixed concept of tasks and job performance requirements. It assumed that jobs were the building blocks of complex organisations, that they were relatively permanent, and that individuals could be selected and trained to carry them out. However, in the new model, with its emphasis on adding value, managing knowledge and adopting more balanced corporate scorecards, individuals are assuming responsibilities that go well

beyond the boundaries set by traditional job descriptions. Employees must not only 'do things right' and 'achieve results', but also take responsibility for seeking out opportunities and responding to customer needs.

In this rapidly changing environment where companies are constantly redesigning their work processes, stability of employment has become far less tenable, since companies may be subject to radical change themselves. Also, competitive pressures on employers, have combined with rapidly moving technology to generate new performance expectations. Consequently, 'employability' has become a fashionable substitute for security and an aim for organisations. Leading companies are looking to find ways to ensure their employees' continuing 'employability' in changing circumstances, with employer and employee sharing responsibility for maintaining – even enhancing – the individual's employability inside and outside the company. Pressure to secure 'employability' is leading more people who are in work, or looking for work, to think hard about how to assess their capabilities and how to develop the capabilities required for work.

People are recognising that they must learn how to assess new information constantly, build up personal and workplace experience, and develop their ability to respond to feedback on performance. The implications for colleges are enormous, not least that they need to become learning organisations themselves, continually adapting to meet ever-changing market demands.

Colleges in a changing society

Colleges have been told for over 20 years that they must become more responsive. The work of the Manpower Services Commission and the planning required of Work-Related Non-Advanced Further Education were both predicated on the proposition that colleges were isolated from employers and their training requirements. Other initiatives intended to galvanise colleges into action in the 1980s and 1990s included the Open Tech, the Open College, the Open Polytechnic, and Training Access Points; and, of course, funding models have been increasingly geared to activity targets and recruitment incentives. TECs were charged with creating a training culture (which they appear not to have done). Demand-led

strategies such as Training Credits floundered on, and assumptions about a market in training and qualifications and TECs' own training programmes were as much about the unemployment social agenda as economic development. As RDAs come on stream with their remit for regional skills strategies, but without funding responsibilities, the UK skills deficit still seems stuck in a supply/demand black hole where everybody at last understands that no amount of Labour Market Information can produce a supply/demand equilibrium, but no one seems capable of taking an holistic view of these complex interactions.

To be fair, New Labour's flagship proposal for a University for Industry does address both sides of the supply/demand equation, by identifying the need to stimulate demand through advanced marketing techniques including integrated computer telephony at Learning Direct, and through a voucher mechanism – Individual Learning Accounts. To succeed, however, Ufl will need to tackle some fundamental issues. It is not going to reap the benefit of high levels of suppressed demand as the Open University did in the 1960s; to talk of learning on demand may be premature if there is no clamour for 'just-in-time' learning opportunities. Secondly, the creation of a mass market in open/distance learning materials, driving down prices through economies of scale, continues to look some way off, not least because of a lack of consensus about a model for learning in the 21st century and the relative roles of on-line and tutor-led learning, and print-based materials. Third, we live in a 'post-choice' world. Colleges are big on choice, despite the fact that potential learners are deeply uninterested in it. Customers are only interested in their own particular wants and needs. Once, 'personalised' meant handkerchiefs with your initials; 'customised' was a Cortina with DayGlo stripes. Now, world-class companies deliver mass customisation. If we can gear whole colleges around core stable processes which deliver truly individual learning experiences leading to qualifications, we will have created a mass system personal to everybody. A unitised curriculum and individual learning accounts would take us a long way in this direction. Finally, the UK still ducks the Who Pays, Who Benefits debate at the heart of the franchising controversy in FE, which must be resolved.

Structural change, globalisation, new technologies and changing forms of work organisation challenge all that colleges do. How colleges contribute to economic growth and employment will require a more radical rethink than we have had so far. The issue for colleges is how they maximise short-term initiatives, pushed and prodded by tweaks of funding and project bidding, and make a real difference to demand (in overall terms, not by predatory trading) by their own efforts, through transformation of their marketing strategies and operating systems, by getting closer to employers, by pursuing customer focus in the ways that dominate other service sectors.

Spot the difference!

The case for developing a world community view of how colleges should respond to the current challenges became very clear to me in March 1998, when I spoke at the Australian technical and further education (TAFE) colleges and New Zealand polytechnics conference in Sydney on the theme of Education for Employment. This, surprisingly, was the first occasion on which the TAFE colleges had organised a federal event: indeed the subplot to the conference was a move to create the first federal association of TAFE institutes, apparently a mindblowing proposition for many in Australia. This coming together of the states-based colleges with their New Zealand counterparts was in effect a South Pacific benchmarking opportunity, a step towards sharing best practice. The issues identified by various platform speakers were interesting:

- colleges squeezed between school and HE sectors
- mergers and the creation of large institutes
- constant bidding for funds
- TAFE, unrecognised and underfunded, but always described as critical to:
  - achieving prosperity and avoiding stagnation
  - celebrating tolerance and cracking prejudice
  - delivering a society of broad opportunity

- TAFE being challenged to:
  - cut down the lag between the emergence of new skill needs and the training programmes which address these skill requirements
  - become a high quality, leading, strategically positioned provider with a diversified client base including government, private individuals and industry, with clients located locally, interstate and overseas
  - develop a large, diversified customer base and considerably increase their revenue and reduce reliance on public funds
  - strengthen the interrelationship between vocational education and training (VET) and national competitiveness
  - further expand its stock of VET qualifications to improve Australia's international competitiveness
  - experiment with on-line delivery. The market is ready but there are few products.

What difference! Clearly there is a lot for UK colleges and Australian TAFE institutes to talk about.

On the other hand, nobody mentioned (and why should they since it is unexceptional to them) that TAFE colleges award their own VET qualifications, within the Australian Recognition Framework. If there is one single reform which would revolutionise our FE system it would be licensing colleges to design and deliver accreditation. That in turn would transform our relationship with small and medium-sized enterprises. Reason enough to develop a world view.

World-class colleges

The Blair project is often characterised as 'The Third Way'. Might it be that colleges can find a 'third' way in delivering the lifelong learning agenda that does not rely on others fixing the system so that colleges simply churn out the goods (people, qualifications, funding units)? Would the pursuit of business excellence models found in service industries result

in FE colleges becoming obsessed with adding customer value and moving well beyond anything we have seen to date? We could take the concept of world-class companies and apply it to learning institutions.

Of course, we could only do it if we could define the attributes of world-class colleges. A starting point might be the following framework:

Benchmark focus	Elements
Business strategy	● Vision and leadership ● Quality mindset ● New technology ● Productivity gains
Delivery	● Flexible accommodation ● Pull scheduling (i.e. demand not inventory led) ● Customer orientation ● Resources ahead of customer expectation ● Just-in-time supply
Quality	● External benchmarking ● Accreditation processes ● Qualification durability
Design	● Lead times ● Concurrent design ● Customer input
Employee management	● Shared vision ● Continuous improvement strategies ● Training and development
Financing growth	● Added value per employee ● Return on assets ● Gearing ratio
Volume	● Increasing top line (sales) ● Increasing market share ● Increasing number of customers

Benchmark focus	Elements
Competitive advantage	● Price ● Quality ● Cycle times ● Reliability ● Customisation
Networking	● For learning advantage ● For organisational advantage

A major project in the North East of England, managed by the Northern Development Company (soon to be subsumed into the RDA), which focused on raising regional competitiveness, developed with the University of Northumbria at Newcastle, an effective benchmarking tool which has been piloted with a range of service and manufacturing organisations. A few colleges have experimented with the model and discovered both a new approach to self-assessment and a device for the measurement of practice and performance, which in turn is measured against similar organisations in the database, leading to the set of classifications on the next page.

Classification	Defined by
World class	● demonstrated leadership in all operational areas; widely deployed best practice and performance
Potential winners	● a high degree of success in all operational areas; need to sustain and focus effort on identified (relative) weaknesses
Room for improvement	● a good start in implementing best practice and improving performance; room for further improvement
Could do better	● low on best practice and performance; considerable scope for developing competitiveness
Promising	● good practices not yet translated into good performance; may be a lack of focus, consistency or the adoption of inappropriate practices
Vulnerable	● despite low use of best practice is achieving relatively high performance, but at a cost; highly vulnerable to any market changes

To sum up

Colleges are often overlooked in the debate about skills strategies and economic development. Regional Development Agencies offer colleges an opportunity to become players. To do so we must have something to say about people development; indeed colleges must position themselves as leading-edge human resource developers. To achieve this ambition college leaders must discover the power of international benchmarking as world-class manufacturers have done so successfully. Our colleges will not succeed in the new world of learning economies by adopting parochial attitudes and the victim mentality sometimes too prevalent in the world of education. If we do know best, let's demonstrate it.

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